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BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

FIFTY CENTS

NOV. 15, 1958

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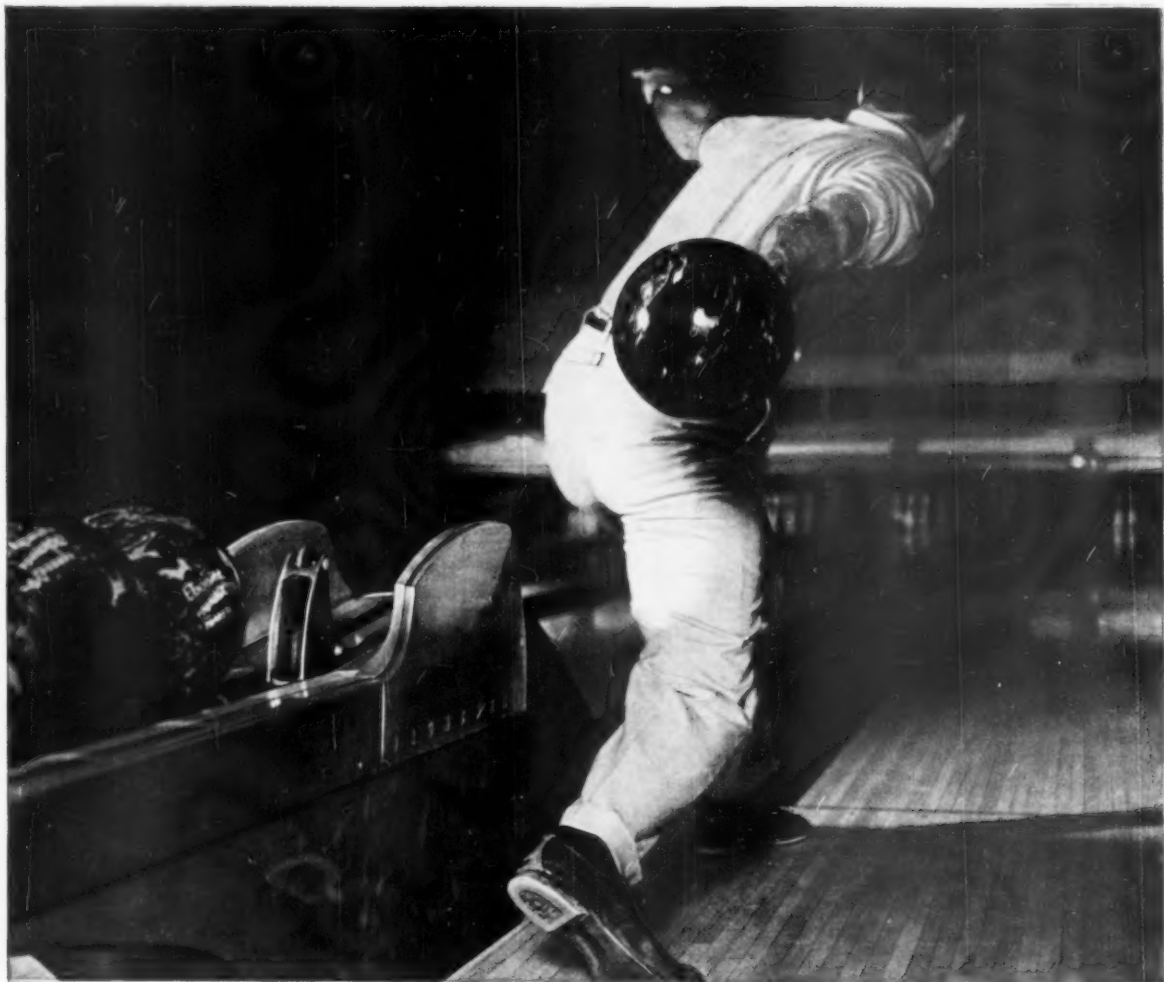


Photo courtesy Ebonite Company, Newton 64, Massachusetts

It may be right down your alley, too

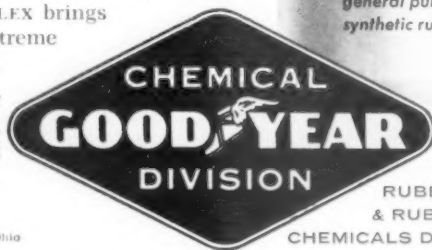
When you hold a bowling ball in your hands, you're holding years of experience along with a great deal of care in its manufacture. For few products are made to such exacting specifications.

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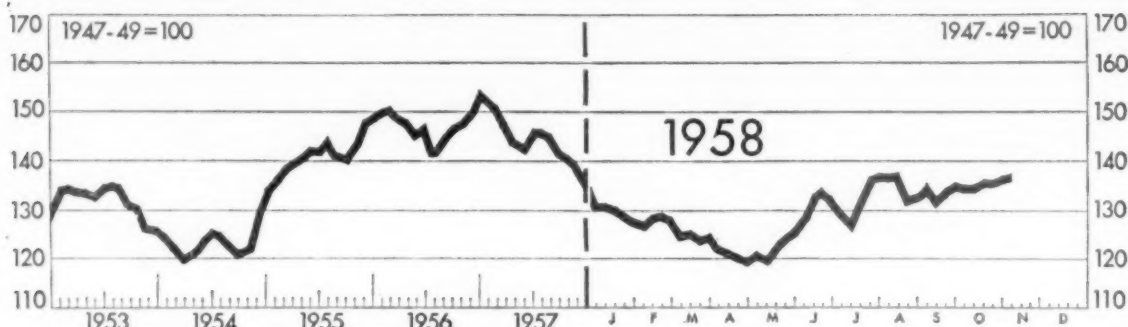
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BUSINESS WEEK INDEX (chart)

1946 Average	Year Ago	Month Ago	Week Ago	§ Latest Week
91.6	140.2	135.1	†137.1	*137.5

PRODUCTION

Steel ingot (thous. of tons).....	1,281	1,990	2,003	†2,011	2,029
Automobiles and trucks.....	62,880	167,879	51,964	†122,558	161,271
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$17,083	\$54,400	\$61,150	\$43,214	\$48,702
Electric power (millions of kilowatt-hours).....	4,238	11,914	12,067	12,330	12,311
Crude oil and condensate (daily av., thous. of bbls.).....	4,751	6,796	6,874	6,911	7,003
Bituminous coal (daily av., thous. of tons).....	1,745	1,637	1,406	1,410	1,429
Paperboard (tons).....	167,269	287,763	308,795	317,807	311,196

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	82	68	64	64	64
Carloadings: all others (daily av., thous. of cars).....	53	51	49	49	49
Department store sales index (1947-49 = 100, not seasonally adjusted).....	90	130	145	140	137
Business failures (Dun & Bradstreet, number).....	22	266	271	299	331

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	384.6	388.3	393.2	395.9
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	84.9	88.2	89.8	91.0
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	83.2	83.9	82.7	83.6
Print cloth (spot and nearby, yd.).....	17.5¢	17.4¢	17.6¢	17.7¢	17.7¢
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	181.7	186.7	186.7	187.3
Scrap steel composite (Iron Age, ton).....	\$20.27	\$33.00	\$42.50	\$42.83	\$42.33
Copper (electrolytic, delivered price, E & MJ, lb.).....	14.045¢	26.900¢	27.075¢	29.106¢	29.063¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.18	\$1.97	\$1.96	\$1.98
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	34.12¢	34.76¢	34.76¢	34.76¢
Wool tops (Boston, lb.).....	\$1.51	\$1.90	\$1.64	\$1.66	\$1.66

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	17.08	40.04	51.18	51.55	52.66
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	5.07%	4.93%	4.90%	4.88%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	¾-1%	4¼%	3¼%	3¼%	3¼%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††45,820	54,800	55,593	57,283	56,412
Total loans and investments, reporting member banks.....	††71,916	86,277	94,080	93,906	93,924
Commercial and agricultural loans, reporting member banks.....	††19,299	31,751	30,223	30,337	30,441
U. S. gov't guaranteed obligations held, reporting member banks.....	††49,879	24,959	31,983	31,632	31,520
Total federal reserve credit outstanding.....	23,888	25,225	26,519	26,767	26,694

MONTHLY FIGURES OF THE WEEK

	1946 Average	Year Ago	Month Ago	Latest Month
Housing starts (in thousands).....	55.9	96.7	118.0	111.0
Imports (in millions).....	\$412	\$1,043	\$1,050	\$953
Average weekly earnings in manufacturing.....	\$43.82	\$82.56	\$85.39	\$84.35
Retail sales (seasonally adjusted, in millions).....	\$8,541	\$16,919	\$16,859	\$16,562

* Preliminary, week ended November 8, 1958.
† Revised.

†† Estimate.
** Ten designated markets, middling 1½ in.

§ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Grant Compton; 26, 27—Tom O'Reilly; 28—W.W.; 29—W.W.; 30—(lt. & cen.) U.P.I.; (rt) Grant Compton; 31—W.W.; 58—Grant Compton; 59—(top lt.) Arthur Siegel, (top rt.) Grant Compton; (bot.) Jay Leviton; 60—Jay Leviton; 100, 101—Guy Gillette; 102—McGraw-Hill World News; 122—U.P.I.; 136, 137—Globe-Democrat; 140—U. S. Navy; 146—Westinghouse Electric Corp.

Good earnings for the telephone company have a way of being good for the customer, too



Everybody has problems. One of ours is the rather widespread belief that the sure way to low telephone rates is to keep the company's earnings as low as possible.

Attractive as this may seem at the moment, it has distinct hazards for the telephone user. Handcuffing the company limits progress and long-range economics, and will lead to poorer service at a higher price than the customer would otherwise have to pay.

This fact is receiving increasing recognition by the commissions which regulate telephone rates and earnings. But it is not something that concerns the commissions alone. It needs your understanding, too.

Regulation can only work best in the interest of all when it is free to act in the interest of all on the basis of economic facts.

Authorizing good earnings for the telephone company requires wisdom and foresight and sometimes calls for a high degree of political courage. Such action, however, in the long run will return the greatest value to the public.

Fortunately, from the standpoint of the individual telephone user, our increased rate needs, where required, are small. They usually come to not more than a few cents a day on the average customer's bill.

BELL TELEPHONE SYSTEM



IS YOUR
SHIPPING ROOM
PART OF THE PLAN

.....or just
an afterthought?



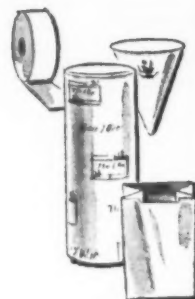
SIX MONTHS? EIGHT? How long since you visited your shipping room?

Management today is giving a long, hard look at time/motion/materials costs in packing and shipping. It's an "overhead" area where savings through up-dated methods may mean greater efficiency and stepped-up profit ratios.

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BUSINESS WEEK • Nov. 15, 1958

READERS REPORT

Modernization Report

Dear Sir:

I read with a great deal of interest your Special Report on Why Industry Modernizes and How It Does the Job [BW—Sep. 27 '58, p76]. The report was very well done, covering the essential points. . . .

ARTHUR LESSER, JR.
HEAD, DEPT. OF INDUSTRIAL
ENGINEERING
STEVENS INSTITUTE OF TECHNOLOGY
HOBOKEN, N. J.

Dear Sir:

. . . I should like to congratulate . . . BUSINESS WEEK on your choice of articles particularly in the September 27, 1958, issue but in many others as well. Given the economic situations we find ourselves in today, it seems to me that you are very alert to the issues involved and the modern tools that can be used to resolve them. It is to be noted particularly that you stress what is commonly referred to as "scientific management," something that I think of as a concrete tool by which many complicated situations can be brought to order and resolved. . . .

J. S. BOWERS
GENERAL MOTORS
OVERSEAS OPERATIONS
NEW YORK, N. Y.

Dear Sir:

This is just a note to compliment you on the extremely intelligent and effective presentation of the MAPI system of business investment analysis which appeared in The Special Report. . . .

It is the best magazine story on this difficult subject that I have yet seen. . . .

GEORGE TERBORGH
MACHINERY AND
ALLIED PRODUCTS INSTITUTE
WASHINGTON, D. C.

Dear Sir:

We all think you did a first rate job in your summary of our capital management thinking and in contrasting it with MAPI's. . . .

JOEL DEAN
ECONOMIC & MANAGEMENT
COUNSEL
HASTINGS-ON-HUDSON, N. Y.

Dear Sir:

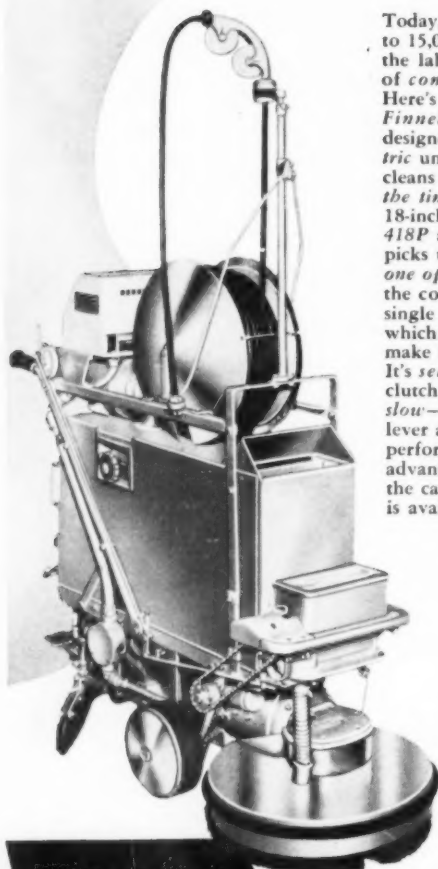
Congratulations on your article on Modernization [BW—Sep. 27 '58, p76]. The MAPI method

SMALL-AREA BUILDINGS...

Save $\frac{2}{3}$ of Every Hour
of Scrubbing Time

WITH A

COMBINATION SCRUBBER-VAC!



Also can be used
for dry work — steel-
wooling, et cetera

(Powder Dispenser
is an accessory)

Today, even buildings with but 2,000 to 15,000 sq. ft. of floor space can reap the labor-saving, cost-reducing benefits of *combination-machine-scrubbing*. Here's a *Combination Scrubber-Vac*, Finnell's 418P at left, that's specially designed for such buildings. This *electric* unit, with its 18-inch brush spread, cleans floors in *approximately one-third the time* required with a conventional 18-inch machine and separate vac. The 418P applies the cleanser, scrubs, and picks up (damp-dries the floor)—*all in one operation!* Maintenance men like the convenience of working with this single unit...the thoroughness with which it cleans...and the features that make the machine simple to operate. It's *self-propelled*, and has a *positive* clutch. No switches to set for *fast* or *slow*—slight pressure of hand on clutch lever adjusts speed to desired rate. Vac performs quietly. The 418P also serves advantageously in larger buildings for the care of floors in narrow aisles, and is available on lease or purchase plan.

Finnell makes *Scrubber-Vac* Machines for small, vast, and intermediate operations, and in *gasoline* or *propane* as well as *electric* models. From this complete line, you can choose the size and model that's exactly right for *your* job. It's also good to know that a *Finnell Floor Specialist and Engineer* is nearby to help train your maintenance operators in the proper use of the machine and to make periodic check-ups. For demonstration, consultation, or literature, phone or write nearest *Finnell Branch* or Finnell System, Inc., 3811 East St., Elkhart, Ind. Branch Offices in all principal cities of the United States and Canada.

FINNELL SYSTEM, INC.
Originators of
Power Scrubbing and Polishing Machines



BRANCHES
IN ALL
PRINCIPAL
CITIES

that you discuss seems to have several shortcomings.

It does not take future utilization into account since only first year's costs are used in computing return on investment. There are many times where later utilization proves so low as to make for a poor return. Joel Dean's method, since it concerns itself with the stream of income over the life of the project, forces management to consider future utilization.

I wonder if the MAPI method is really adaptable to decisions involving investment in new products as well as replacement investment. Both new product investment and replacement must compete for company funds.

Thanks again for a fine article. It was among the best I've seen on this topic.

HOWARD M. ESTERCES
WRIGHT AERONAUTICAL DIV.
CURTISS-WRIGHT CORP.
ENGLEWOOD, N. J.

Dear Sir:

The Special Report [BW—Sep. 27'58,p76] is one of the most interesting and imaginative business features I have read in years. Both format and content make it so.

However, I was struck by one notable gap in the material: Surely in a company of the size hypothesized there would be a department, or at least an executive, that could discuss foreign sources of ideas and developments. None has in your otherwise balanced report. . . .

I am sure an American executive of Mulligan's stature would have some inkling of these things. Doubtless he would have done a bit of traveling about Western Europe himself. Perhaps he would have served there on a public mission or two. Surely if no one of his staff were willing to place related foreign developments in their proper perspective, Mulligan would recognize the need for outside consultation. . . .

H. L. SHOWALTER, JR.
GIRARD ASSOCIATES
INTERNATIONAL DIV.
CHAMBERSBURG, PA.

Dear Sir:

Your Modernization returns chart [BW—Sep.27'58,p126] is interesting, but we are wondering if the wording should not be changed to read, "How soon do you *hope* these replacement expenditures to pay off?", rather than *expect*.

Do not believe that a small or medium size metal working company can modernize a building of 10,000 to 100,000 sq. ft. with



“Villa-Lobos conducts with such fire!”

... and he composes with equal zest. “I don’t really need this old piano,” he declares. “The birds, the wild beasts, the streams, the mountains and myself make the music . . .”

This is Heitor Villa-Lobos, Latin America’s greatest living composer, whose music—like his ebullient personality—“springs from nature.”

Latin Americans took special interest in LIFE EN ESPAÑOL’s recent “close-up” on Villa-Lobos because its exclusive candid photos and equally candid quotes captured both the man and the aspects of Latin culture he has so spectacularly put to music.

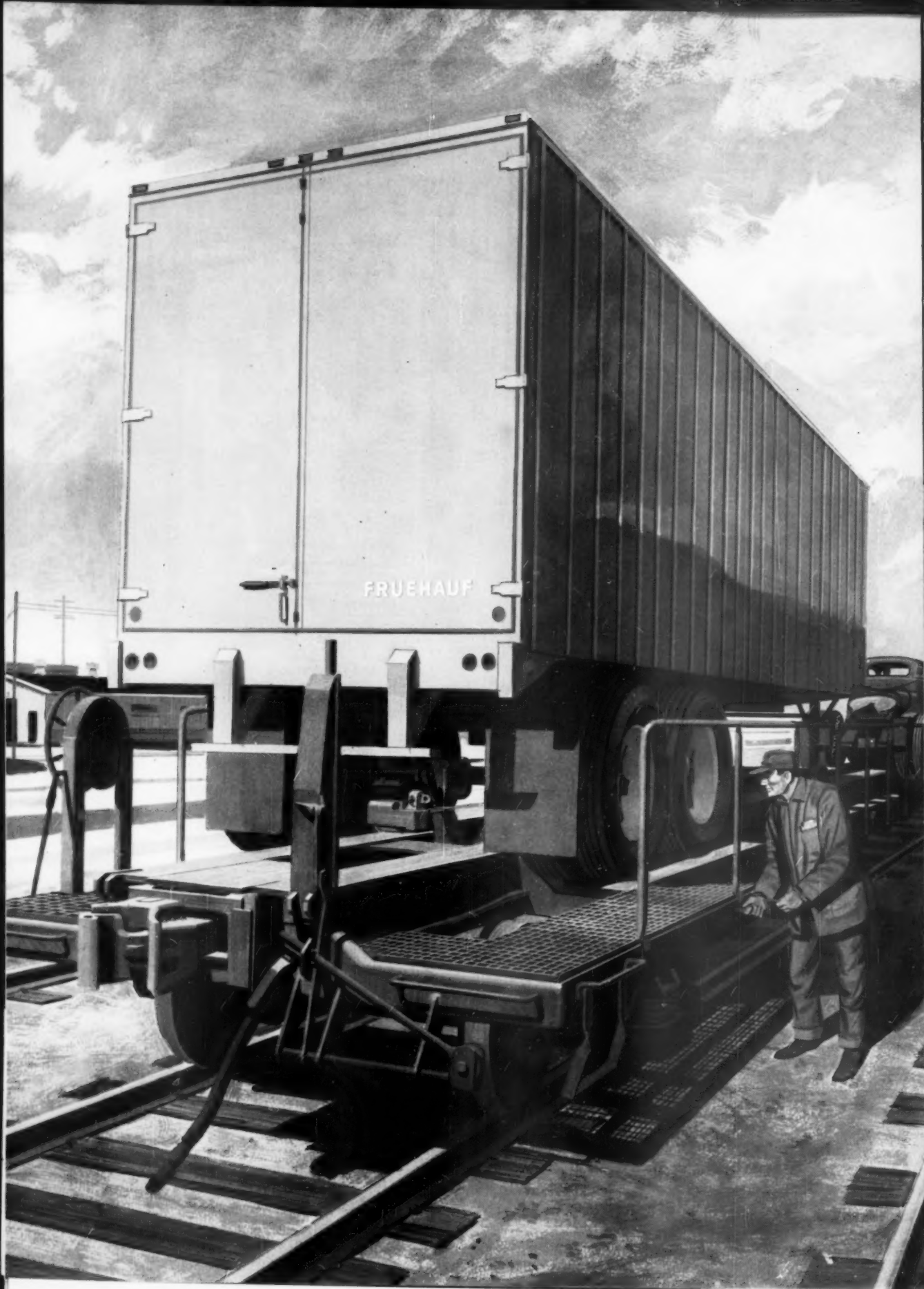
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LIFE
EN ESPAÑOL



In every phase of piggybacking, you save money with the Clejan* car

With Clejan Piggy Back, weight savings alone can mean the difference between profit and loss!

Lightest piggyback car in tare weight.

The standard Clejan car weighs only 50,000 lb.—20,000 lb. less than the next lightest car.

Lowest priced piggyback car. The Clejan car is designed exclusively for piggyback service; elimination of non-essentials brings costs down.

Fastest to load and unload. In less than a minute, one man on the ground can lock a trailer into place. Guided loading and built-in mechanical tie-downs reduce man-hours at terminal points.

Permits intermix of trailers and containers. It's the only piggyback car that requires no modification.

Most economical to operate. Less weight means fewer trains are needed. Speed and ease of loading mean faster train make-up, and less yard switching.

Best railroad clearance. It is the only piggyback car that can take a standard trailer, 12' 6" in height, over all major rail lines.

Maximum protection for lading, trailer or container. Due to patented shock absorbing devices that permit the trailer to move 10" under impact, there is 75% reduction in impact to trailer and loadings, over impact to rail car at 8½ mph.

These are some of the reasons why the Clejan car is becoming the standard of industry. Clejan cars represent 10% of all piggyback cars in service—yet in 1957, they carried 25% of all piggyback freight.

For further information on Clejan Piggy Back, call or write the nearest General American office. You'll find . . . *it pays to plan with General American.*

**CLEJAN—pronounced CLAY-JOHN*



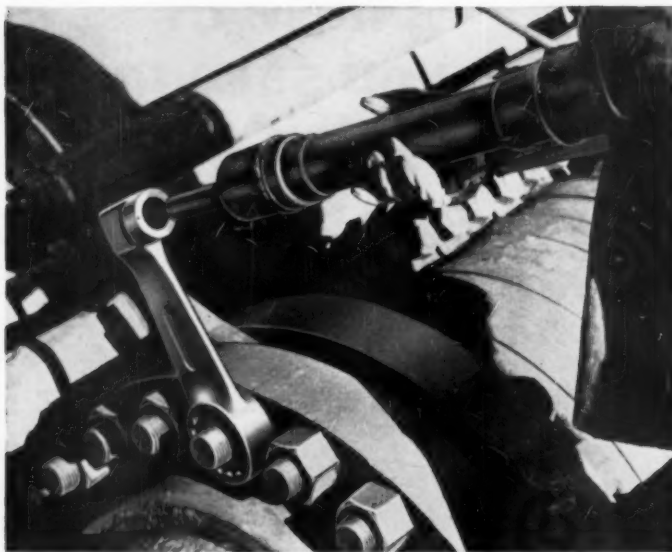
Piggy Back Division

GENERAL AMERICAN TRANSPORTATION CORPORATION

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tool idea by Standard



Demonstration of wrench in action. In actual practice, a strap wrench is used in conjunction with the above wrench to prevent it from slipping from nut.

new timesaving

wrench by **Snap-on**

Standard Oil Company of California needed a wrench to tighten bolts to high tensions... eliminate safety hazard of striking wrench with a sledge hammer... save time... overcome close-quarter limitations.

One of Standard's maintenance foremen conceived the idea of using an air-powered wrench. He outlined his thoughts to *Snap-on* sales engineer, W. F. Egbert. From their combined ideas, Standard built working models using regular *Snap-on* sledge wrenches.

Using these models, *Snap-on* made detailed drawings, then furnished the industry's first cupped-slugging wrenches. The striking surface is cupped so that a bull-nosed driver, inserted in an air-powered rivet buster, can impact the wrench from various angles to tighten the nuts. This tool answered all requirements outlined above.

Whatever your tool problems, *Snap-on* can render a specialized service. Branch offices and warehouses are located in key cities throughout the U.S. and Canada.

SNAP-ON TOOLS
CORPORATION

8100-K 28th Avenue • Kenosha, Wisconsin



necessary equipment and pay it off under 8 to 10 years, even if allowance is made for increased business and also increased efficiency. . . .

CHAS. M. BULL

PIDGEON-THOMAS IRON CO.
MEMPHIS, TENN.

Dear Sir:

In your September 27 issue, you state eloquently that our industrial plant must be brought to maximum efficiency if we are to meet the Communist challenge. . . .

You rightfully point out that the present I.R.S. rules on depreciation are a deterrent to improving our manufacturing efficiency. But this deterrent effect is only a small patch on the restraint exerted by our corporate income tax. I say this, not because of a natural aversion to taxes, but out of an intimate and extended experience in justifying replacement expenditures in industry. The present 52% federal corporate income tax rate has a viciously stultifying effect on business action to increase our processing efficiency. . . .

(Here's an example of what a change in tax rates can mean assuming a 12-year write-off.)

Tax Rate	Pay Back	Return on Investment
0%	3 years	25 %
25%	3-9/13 years	18 3/4 %
50%	4-4/5 years	12 1/2 %
75%	6-6/7 years	6 3/4 %

It is obvious that a reduction in the tax rate makes such investments more attractive to both the man who looks to pay-back as his primary criterion, and to the man who looks to the return on investment.

It is further evident that any increase in the tax rate from the present 50% would be an effective further deterrent to investment for increased efficiency and a reduction would be a definite spur. . . .

W. W. KUYPER

MANAGER, MANUFACTURING-
ENGINEERING
LARGE STEAM TURBINE-GENERATOR
DEPT.
GENERAL ELECTRIC CO.
SCHENECTADY, N. Y.

Dear Sir:

I would like to add my congratulations on this job to the many which you have received. This is one of the better services to the country and to readers organized by Business Week, and I believe that your entire staff deserves a great deal of credit. . . .

FRANK GRIESINGER

ASSISTANT TREASURER
THE LINCOLN ELECTRIC CO.
CLEVELAND, OHIO

Site-Seeing with GPU *Site-Service*

FLOAT YOUR WARES TO MARKET!

Locate your plant in ERIE*... *Only Pennsylvania Port on the St. Lawrence Seaway*

Cut days and dollars by shipping overseas directly, by water, from this great inland industrial center.

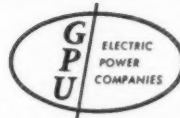
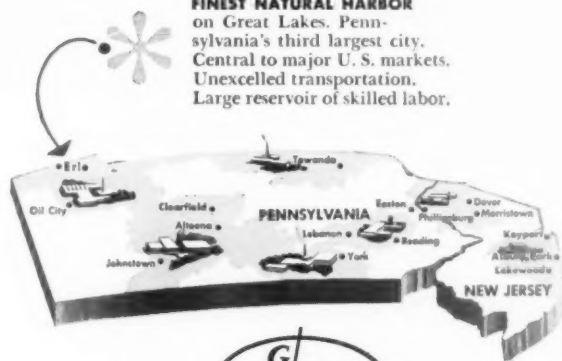
Equally important is the opportunity to locate *now* in Erie's new industrial park, one of the nation's finest. Engineered and zoned for *your* protection, it offers up to 100% financing, lease-back plans, buildings constructed to order. Included in the price of each acre is every improvement, every utility.

Get the facts today about why it pays to site your factory, plant or warehouse in Erie. Your inquiry will receive prompt, confidential attention.

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Jersey Central Power & Light Co.

From start to finish...



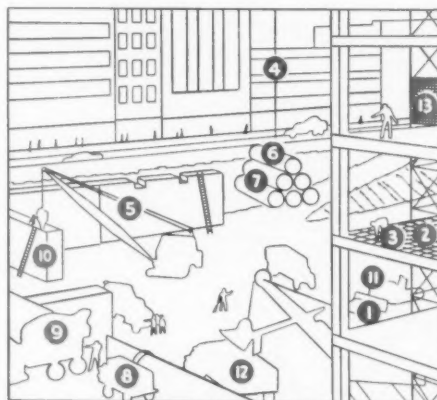


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are helping America's builders

The total cost of an office building is tremendous. Needless to say, both builder and owner try to hold this cost to a minimum . . . and it's a mighty good reason why you'll see so many CF&I products around building sites. For builders know that top-quality CF&I Steel Products help them get the job done swiftly, as well as economically and safely.

You, too, can use CF&I Products to excellent advantage in your own operations. For full details, see your nearby CF&I representative.



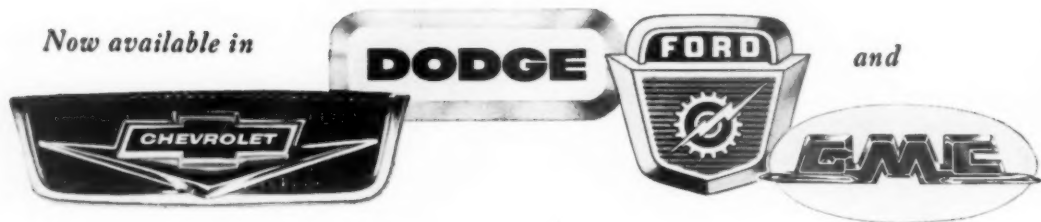
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|-----------------------------|---|
| ① CF&I Grader Blades | ⑦ Clinton Welded Wire Fabric |
| ② CF&I Reinforcing Bars | ⑧ Claymont Heads and Fittings for Air Compressors |
| ③ Cal-tie Wire | ⑨ Wickwire Valve and Clutch Springs |
| ④ Wickwire Wire Rope | ⑩ CF&I Nails and Staples |
| ⑤ Wickwire Boom Pendants | ⑪ Wisco Perforated Metals |
| ⑥ Wickwire Wire Rope Slings | ⑫ Claymont Fabricated Steel Parts |
| | ⑬ CF&I Hardware Cloth |

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The "Automatic can save you a and more

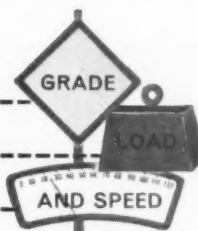
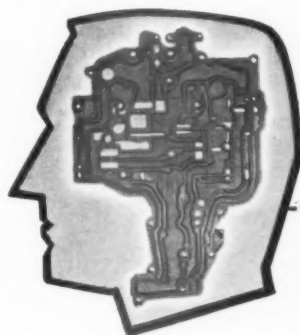


- New Jersey Sand Hauler Saves \$700 a Year on Axles and Clutches
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Allison

Brain" a mile

THE "AUTOMATIC BRAIN" AUTOMATICALLY SELECTS
THE RIGHT GEAR FOR EVERY COMBINATION OF



TO SAVE YOU A PENNY
AND MORE A MILE

— the Allison Fully Automatic Truck Transmission pays for itself within the first 12 months of operation

THE most obvious fact about a Chevrolet, Dodge, Ford or GMC truck equipped with the Allison Automatic Transmission is that it practically drives itself.

But that's not the most important fact—not by a long shot.

For this transmission with the "Automatic Brain" can save you a penny and more a mile on your truck operating costs—and truckers' records from all over the country prove it.

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The Allison Automatic rolls up these savings because its "Automatic Brain" automatically selects the right gear for every load, grade and speed. It completely eliminates engine lugging, shock-load damage to chassis and drive line components, engine-disconnect clutch repair and replacement. And its built-in hydraulic retarder saves service brakes for everything but full stops.

The results? 33 $\frac{1}{3}$ % longer engine life, 18% reduction in average trip time, longer-lasting

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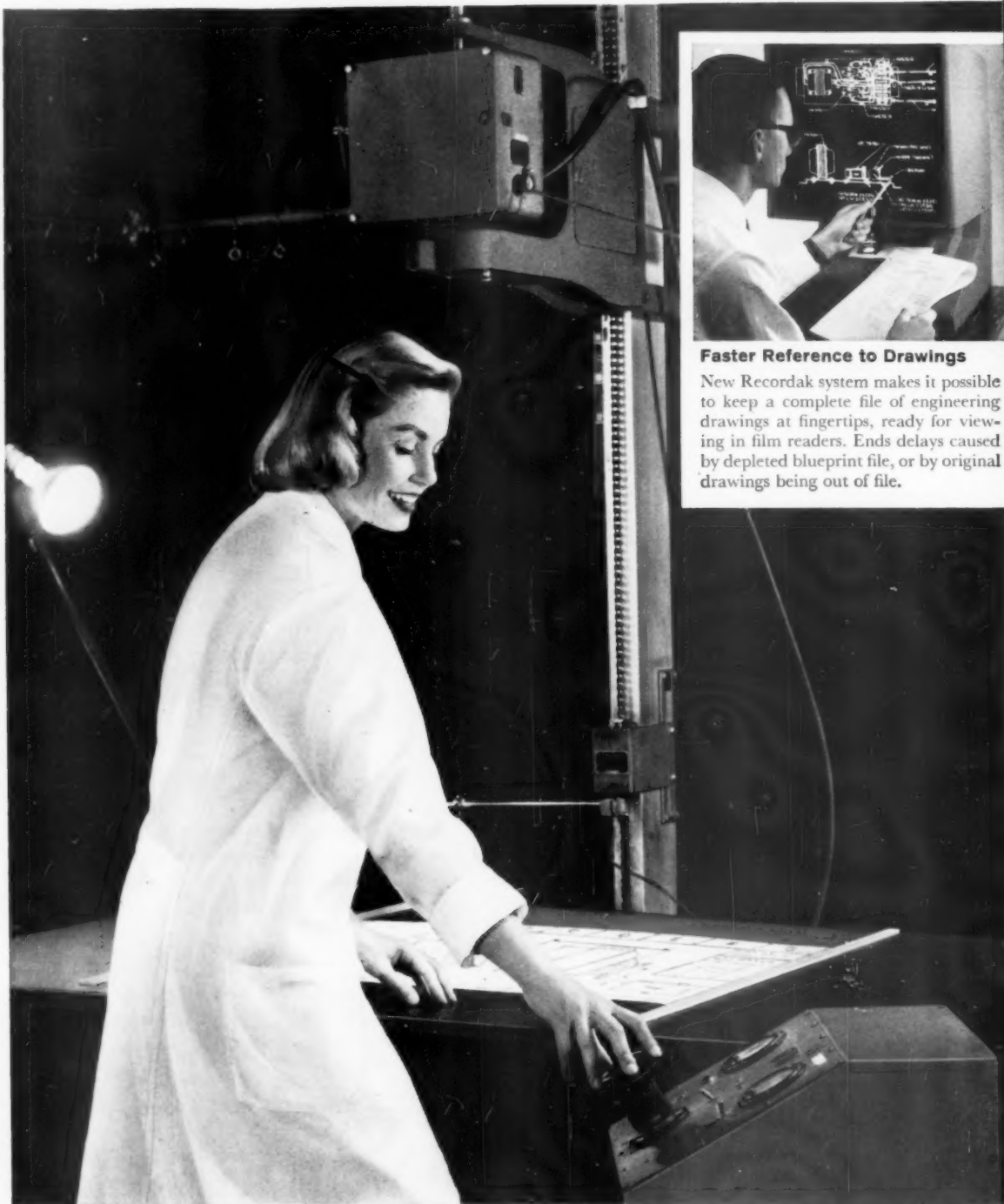
You can get the transmission with the "Automatic Brain" in Chevrolet, Dodge, Ford or GMC medium and heavy-duty trucks, tractors, school buses and other special-purpose vehicles. It's also available as an integrated engine-transmission power plant with Chrysler and Ford industrial engines.

Get the full story on how you can save a penny and more a mile with the Allison Fully Automatic Truck Transmission from your Chevrolet, Dodge, Ford or GMC truck dealer, or write:

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New Recordak system makes it possible to keep a complete file of engineering drawings at fingertips, ready for viewing in film readers. Ends delays caused by depleted blueprint file, or by original drawings being out of file.

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New Recordak 35mm microfilming techniques and processing controls make the use of film images in aperture cards a practical and accurate working tool for drafting rooms large and small.

Now drawings and blueprints of all types, ages, and sizes can be reproduced on *low-cost 35mm film* as needle-sharp images with remarkable uniformity. As a result, viewing in a film reader is easier, surer. And equally important, accurate and complete paper enlargements—or duplicate film cards—can be made in seconds whenever needed.

Recordak offers complete service

The job, for your part, can be as simple as this: Turn your bulky drawing files over to us—get trim decks of cards back.

Recordak will microfilm your drawings, process the films, mount the images in punched or plain Filmsort aperture cards. (This new precision system

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Cutler-Hammer, Inc.	Michigan State Highway Dept.
Ford, Bacon & Davis, Inc.	Rocketdyne Division,
Foster Wheeler Corporation	North American Aviation, Inc.
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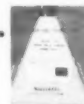
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A new problem facing steel users today

The danger of losing money by relaxing inventory controls

When the slump set in last year, big inventories were one of the toughest problems for most companies.

Now, as the economy swings back, these problems may seem to have disappeared. Actually, the problems of inventory cost and risk are always with us—just as much a threat to profit in good times as in bad.

But with the urgency of strict economies reduced, there is a very real danger that many companies will be caught off guard—a danger that recession-born practices will be abandoned as temporary emergency measures without careful enough analysis of their profit potential.

For example, companies that modified their steel inventory policies to avoid long-term commitments found that many costs were reduced and their needs better served. By taking advantage of the stocks offered by steel-service centers, these companies were able to release working capital for more productive purposes, free valuable storage space, reduce handling costs and lower scrap losses, insurance, taxes, etc.

Proof in dollars and cents

Those who carefully weighed all the advantages found reason for a *permanent* modification of their previous buying practices. They proved to themselves that they could and should rely

much more heavily on steel-service centers because it makes sense in dollars and cents.

This conclusion is especially sound when you consider the unusually broad scope of Ryerson stocks and the speed and dependability of Ryerson services. Any kind, shape and size of steel can be shipped to you from Ryerson in a matter of hours. And your steel can be furnished in ready-to-use form, saving time and initial-cutting cost. You gain complete flexibility to meet quick shifts in production schedules. And you have the added assurance of getting steel of uniform, high quality—the unequalled dependability of Ryerson *certified* quality.

Your Ryerson representative is well qualified to review the facts and help you get the maximum value for your steel buying dollars. Ask him to analyze your requirements with you the next time he calls.

What it costs to carry inventory

IRON AGE magazine says: "A survey of eight plants shows that, for every \$100 worth of materials bought, the average yearly inventorying cost is \$19.37."

Other authorities say the real cost of steel placed in inventory for extended future use may be as high as 40% more than the invoice price.



RYERSON STEEL®

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Principal Products: Carbon, alloy and stainless steel—bars, structurals, plates, sheets, tubing—aluminum, industrial plastics, metalworking machinery, etc.

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BUSINESS OUTLOOK

BUSINESS WEEK

NOV. 15, 1958



Producers of the major industrial metals will be riding a rising trend through yearend—and so will most of the plants that process them.

You need only look at **output schedules for autos** to see that.

Detroit is aiming at 530,000 cars in November and nearly 600,000 in December. Output may fall short of this month's target, but don't be surprised if December runs 625,000 or even better.

Steel producers are not, even yet, reporting any great boost from auto requirements. But that's mainly because production of 1959 models ran so far behind schedule in October.

This left auto plants with more steel on hand than they expected. Steel mills, too, have some—all rolled and ready.

Look for that to change any day now. **When the change comes, other users of flat steel will begin increasing their orders for protection.**

Sentiment in the nonferrous metals remains highly confident—even though demand for lead has eased a bit in this country and some of the speculative steam has gone out of London **copper** prices.

Settlement of the Rhodesian strike hasn't shaken the belief of market experts that the **U.S. copper price points for still higher levels.**

And zinc, they are convinced, is over the hump; orders these last few weeks have rivaled full-month total for the recent past.

—●—

Retail sales estimates for the rest of this year would be pretty solid if only auto volume could be nailed down.

Stores handling just about any other type of merchandise are confident indeed: It's going to be the biggest Christmas ever (page 25).

Merchants have a sturdy peg on which to base rosy predictions.

They have just totaled up the **biggest sales for any October on record** (despite the fact that auto dealers had little to sell). The year-to-year gain was 1.2% over-all, while softgoods ran 4½% ahead.

Moreover, on a seasonally adjusted basis, the October figures were the best since September, 1957.

Volume for **retail outlets devoted to autos and automotive products last month were 13% behind** a year ago, totaling under \$2.6-billion.

Dealers report fewer than 290,000 new cars delivered to customers last month for lack of stocks. This means simply that the market for the 1959 cars still has not received even a perfunctory test.

—■—

Executives of the auto companies can't tell you how they are doing now or how they will fare in 1959. There still aren't enough cars to go round, and for most makes there won't be for several weeks yet.

The companies figure it will be at least another month before they have any grasp of how cars are going or the ultimate 1959 market.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

NOV. 15, 1958

Probably Detroit, after overestimating for two years in a row, is unduly shy now. To many outsiders, **1959 looks more like a 6-million-plus year than the 5½-million the industry is talking about.**

And this has little to do with "how good" the new models are.

A "normal" year now calls for 6-million or more cars (not to mention making up 1958's deficit). **Scrappage** has been below what seems the logical level ever since 1940; we may have been getting close in 1956 and 1957, but we seem to be falling way off the trend again in 1958.

How many cars Detroit makes in 1959 must depend, of course, on **how the market for imports goes.**

Registrations of foreign cars hit a new high above 36,000 in September, up from 20,000 at the same time last year. The total for the full year now seems sure to pass 250,000—and the annual rate of sales, as yearend approaches, is above the 400,000 mark.

Imported cars must increasingly face two sales problems:

- **Novelty incentive is wearing thin** with three-quarters of a million imported cars now on the road.
- **Detroit competition will get tougher.** Rambler and Lark are ready now, and the Big Three will have small cars whenever they feel the time is right. (Chevrolet, Ford, and Plymouth didn't cut out their lowest priced lines just to leave a vacuum for someone else to fill.)

Two industries from which not much is ordinarily heard, though their services are basic to metal fabricating, note signs of improvement.

Tooling shows signs of pulling out of its slump. So says George S. Eaton, executive vice-president of the National Tool & Die Mfrs. Assn. He told the association's annual convention in Philadelphia that, while spotty, this recovery points toward general business gains in 1959.

And steel warehousemen reported sales rising slowly but steadily in recent weeks, while conventioning in Boca Raton a few days earlier. They sell metal mainly to the multitude who buy in small lots and to bigger users who need quick service in filling inventory holes.

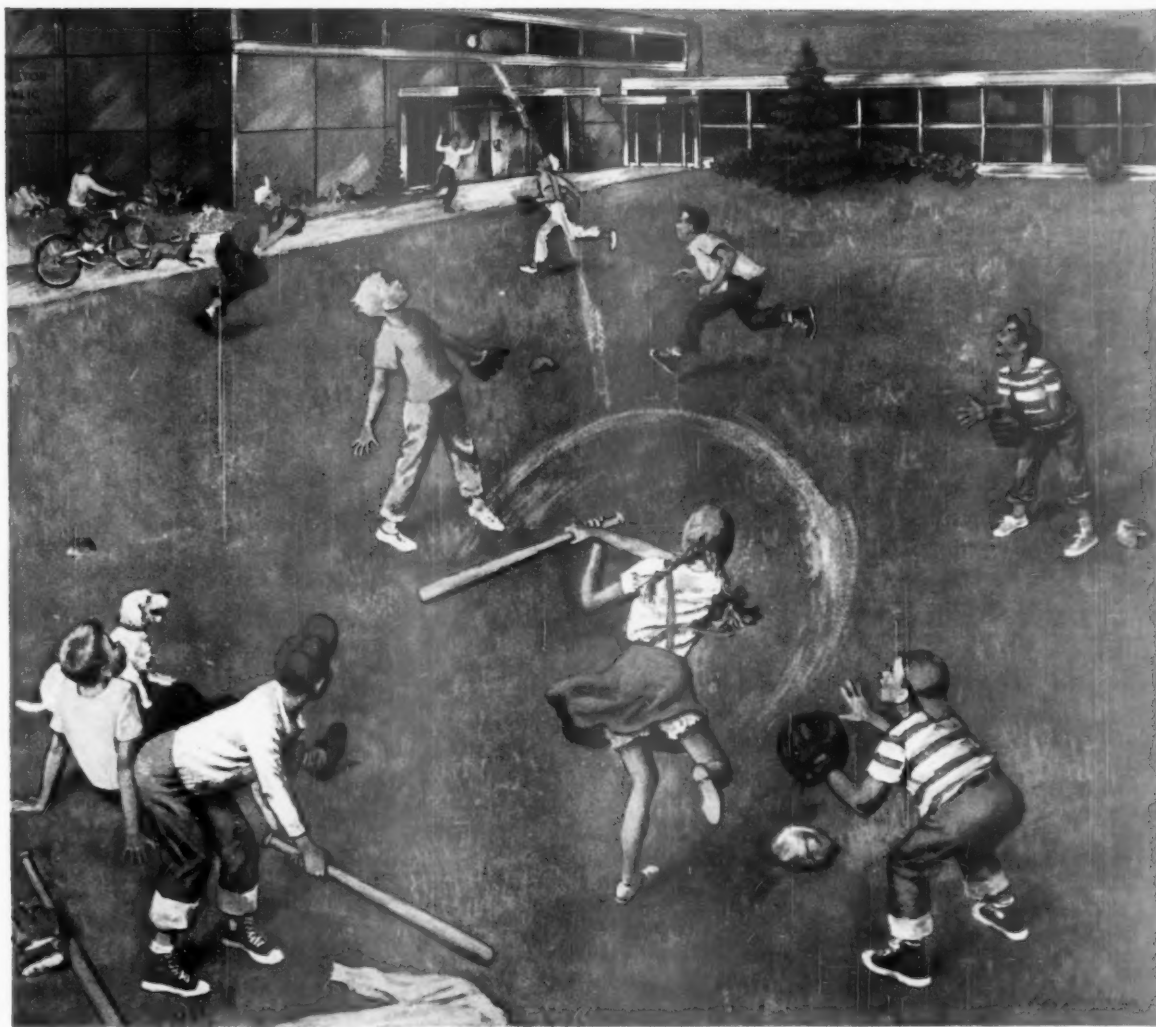
Manufacturers of fir plywood now appear to have passed the peak of their 1958 market—both in point of volume and of price.

The decline in **volume** is seasonal, and began showing up several weeks ago. In an effort to hold the **price** structure, mills pared output. However, quarter-inch stuff has backed away from the recent \$80 high.

Manufacturers of tires and rubber goods see a near-record 1959.

That, at least, seems the conclusion that must be drawn from estimates of rubber consumption just made by Firestone. The company foresees use of new rubber, natural and synthetic, of 1,515,000 tons next year.

That would top 1958 by 200,000 and just miss 1955's record.



Aluminum wall panels in a wide variety of colors resist weather . . . never need painting

How aluminum can help solve America's classroom shortage in a hurry

"... shortage of instruction rooms in the fall of 1958 could be approximately 132,800," says U.S. Dept. of Health, Education, and Welfare.

With modern aluminum panels, two men can set up the walls for an average school in three days. Window and door frames, bulletin boards, chalkboards, ducts for heating and cooling, electrical raceways or outlet boxes, as specified, are set in the panel frame at the factory.

By using this technique, one manufacturer estimates construction time of a 24-room school can be cut by months. What's more—corrosion-resistant aluminum can't rust or rot, can be permanently colored . . . and

will continue to save maintenance money for the life of the building.

Result—more and more architects and builders are turning to light, strong, aluminum wall panels—not only for schools—but for office buildings, homes, factories and farms. A new alloy recently introduced by Aluminium Limited makes possible even stronger structural applications of aluminum at less cost. Experts predict U.S. use of aluminum for building will increase by 50% in the next ten years.

Many of the businessmen who make aluminum building products depend on Aluminium Limited in Canada for an important part of the ingot essential to their operations now and in the years to come.



Aluminium Limited

In the U.S.: Aluminium Limited Sales, Inc.,
630 Fifth Avenue, New York 20.

1959 Golden-Touch Electric—by underwood

New "Floating Keyboard" helps stop typing strain!

Much typing strain comes from holding hands up at the keys. This *Floating Keyboard* is sloped to reduce fatigue. It keeps keys low, brings them close, centers controls. There's less hand-travel than on any other keyboard.

You choose your own type style with the new Golden-Touch DOCUMENTOR.* Keys are cup-shaped for easier *electric touch*. Impression control insures print-perfect copy—sharp carbons. Symbols (+ = ! °) add versatility. Try it soon!



"like wearing magic gloves!"

Golden-Touch®
typing

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FOR A
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IMMEDIATE SAVINGS!

- ★ New Keyboard Slope Eases Typing
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- ★ Compact Controls Save Time
- ★ 2 Carriage Return Bars Cut Effort
- ★ Instant Shift Speeds Typing

CHOOSE ONE OF 8 PANEL COLORS!



underwood

MASTERS YOUR PAPERWORK

Stock Prices Take Off Again

The big bull market of 1958 went on a new tear this week. Every major stock average, led by the Dow-Jones Industrials (chart), registered a new record peak.

This latest rampage began immediately after the Democratic victory in the elections. Normally, investors regard Democratic triumphs as unfavorable for business. But this year, the election results triggered a widespread jump in stock prices.

The stock market has been strong ever since last spring, when the 1957-58 business recession touched bottom. Investors correctly anticipated a vigorous recovery, and the strength of the market was itself a factor in the snapback of business. The election results simply bolstered confidence in the over-all outlook; investors are convinced that the new Congress will act quickly whenever the economy needs shoring up.

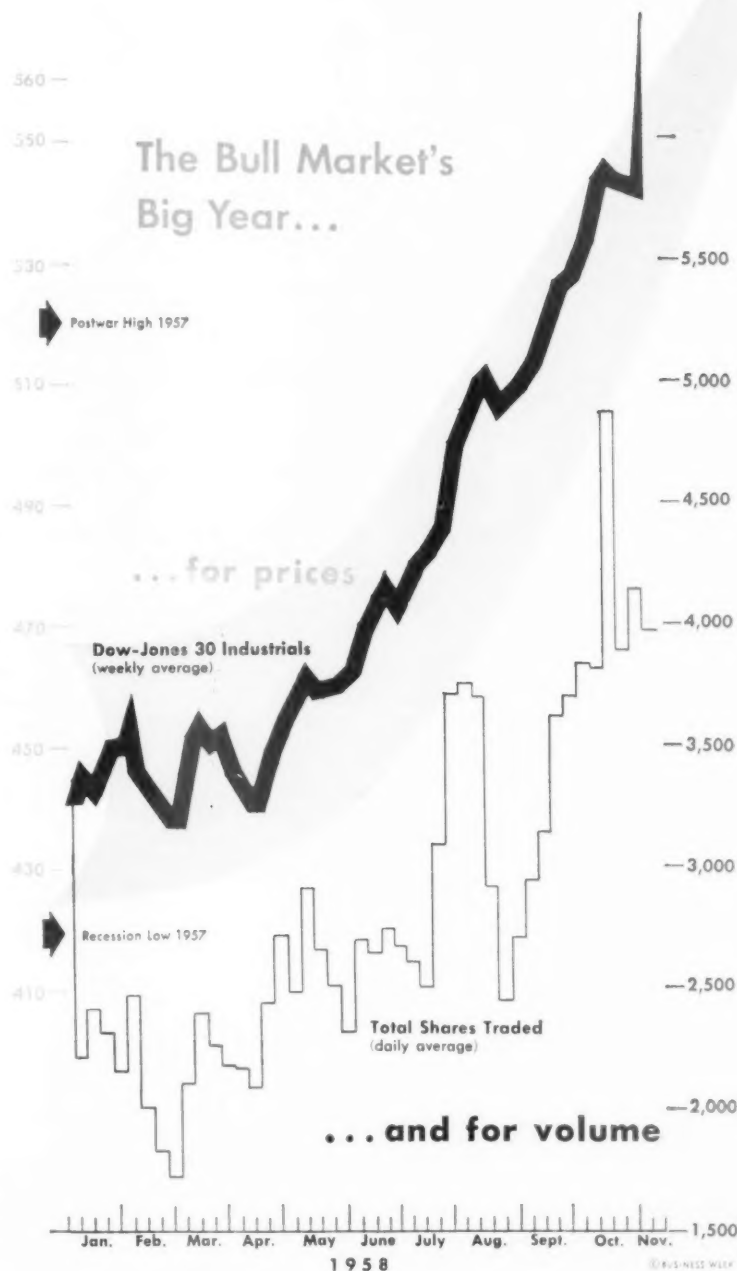
• **Recession Lessons**—In fact, investor optimism today is stronger than it was in the Eisenhower boom of 1953-55. Since then, the economy has gone through still another recession without experiencing the spiraling decline that many economists and businessmen had feared. As a result, there's a growing belief that serious depressions can be avoided.

Moreover, there's increasing belief that stocks represent the most promising investment medium, not only as a hedge against inflation but also as the best stake in continued growth.

The new prestige and respectability that equities possess today stems partly from their performance over the past 10 years. Institutional investors—pension funds, life insurance companies, mutual funds—are putting increasing amounts of cash into stocks (BW—Sep. 20 '58, p. 31). Their activity has spurred public buying, either through mutual funds or by direct stock purchases.

• **Brisk Trading**—The setup in trading volume (chart) clearly demonstrates the new appeal of stocks. In the last bull market, 2-million-share days were the rule; now, the average is well over 3-million, and some days have gone above 4-million shares.

A feverish, high-volume market tends to be an unstable market, susceptible to wide swings. And many professionals feel that today's market is increasingly vulnerable, particularly in



some of the popular blue-chip issues. In these issues, growing investor demand for a relatively small supply of floating stock has bid up prices to very high levels.

But the pessimists are a small and dwindling minority. Some of the more fervent optimists believe that the build-up in demand for equities is just beginning. They predict that 5-million to 7-million share days will soon be common. As they see it, the climb of stock prices will prove an irresistible attraction to a great many people who until now have distrusted stocks.

• **Overdoing It?**—Many stock market men who are bullish about the immediate future feel that the rise in volume and in prices so far is justified. But they are worried that the public will make a blind rush into the market. As one broker put it, "If this keeps building up through 1959, then we may be in for trouble."

However, except for a handful of perennial pessimists, most professionals see no resemblance between today's market and the pre-crash market of 1929. They point out that the market's anticipation of improving business is similar to what happened in 1938, when the market averages jumped by 50% before business activity turned up. According to Arthur Wiesenberger & Co., today's market also parallels the 1927 market "just prior to the record-breaking boom of 1928-29."

So far, business indicators have done nothing to shake the market's confidence. But at present prices the market is betting that business will be even better in the future. Investors are counting on much higher corporate earnings and increased dividends, which have yet to show up on a broad basis.

That's why there's a split between those who tend to look at traditional yardsticks and those who think that some of our measures of evaluating stock prices must be revised.

• **Relative Yields**—For example, there's some uneasiness at the fact that high-grade bonds now yield more than stocks. This is a danger sign, the pessimists say.

However, there have been lengthy periods when stock yields were lower than bond yields. From mid-1926 to 1929, lower stock yields prevailed, and the same thing happened in 1937-40.

This is one area where re-evaluation may be needed. With the new respectability and stability of stock prices, yields are likely to be lower than they have been in the past. But analysts say that stock yields will not always be as low as they are now, even as stock prices rise. Better earnings, they say, will bring higher dividends.

• **Price-Earnings**—Another area where re-evaluation is going on is in price-earnings ratio. According to profes-

sionals, U. S. Steel, which used to be a prime example of a feast-or-famine company, has proved capable of earning a profit in the last two recessions.

This, they say, justifies paying more for it, or, in other words, establishing a higher price-earnings ratio than it enjoyed in the past. And the same holds true for many other companies and many stock groups.

• **Selective**—In fact, the market's rapid rise has been an extremely selective one. While most stocks have climbed from their recession lows, the most spectacular jumps have been made by a relatively small group.

Some of the cyclical stocks, such as steel and paper, have registered big increases. But the best performances have been made by the more defensive issues, which did well in the recession and have continued to improve since. This week, AT&T sold at over \$200 a share.

• **Off and On**—As long as the business outlook is bright, it's probable that the market will continue to climb. Some interruptions are to be expected, but each time the market has shown signs of weakness, investors—both institu-

tional and individual—have come off the sidelines to buy.

Even if the market continues to rise, there are likely to be big shifts in investor preference. In the 1953-57 boom, for example, some stock groups hit their highs as early as 1954 and 1955, then remained stable or declined even though the market as a whole advanced. Much the same pattern is likely today.

Most defensive issues have probably experienced the major part of any rise. Now the more cyclical stock groups—autos, chemicals, copper, machine tools, metals—are likely to join steel and paper as the big gainers. This week, for example, oil stocks, which have lagged behind the rest of the market, suddenly came into favor.

Precisely because there is little evidence of anything to blight the market's path, some experienced Wall Street observers feel that the one real worry, barring war, is the boom psychology. As one veteran put it: "The trouble with a bull market is that it usually goes to extremes. We are not near it yet, but that's what you have to watch out for."

Aniline's Still Not For Sale

A syndicate is ready to buy General Aniline & Film, but now the Farben trustees want to scotch any deal.

The web of controversy over the \$100-million assets of General Aniline & Film Corp. grew even more tangled this week.

Almost from the day that the U. S. government seized the big film, dye, and chemical maker in 1942 as enemy property, it has been the center of international haggling. The government wanted to sell it after the war under the alien property laws, but the former owner, a Swiss holding company named Interhandel, brought suit to block sale on the ground that it wasn't an enemy corporation. The Justice Dept. agreed that Interhandel was Swiss, but argued that all along it had been a front for the Giant German I. G. Farben interests.

For 10 years, the case worked its way around the federal courts. Last year the Swiss government took the case to the International Court of Justice. Then, recently, rumors of an out-of-court settlement began to spread, and there was a speculative surge in the market prices of both Interhandel and GAF stock.

• **New Complication**—Last week, the plot took a bizarre turn. The German trustees appointed by the Allied High Commission for Germany to liquidate Farben went into federal court to claim

that Interhandel, after all, was only an "instrumentality" of Farben holding the GAF stock for it—just what the Justice Dept. had been contending. The Germans asked the court to block any negotiated settlement with Interhandel and to protect their rights in GAF. Of course, even if the Germans were declared the owner, as former enemies they could not collect their holdings without a Congressional amendment to the laws on alien property. In any case, their suit makes it embarrassing for Justice to come to amicable terms with Interhandel.

Meantime, it was revealed that a U. S. buyer for GAF is ready and waiting, if it ever goes on sale. Bache & Co., New York investment house, has arranged a syndicate to bid on GAF's shares and, if it wins them, split the company three ways to the members. The Ansco Div., maker of film, cameras, and other photographic products, would go to Paramount Pictures Corp. The Dye & Chemical Div. would be absorbed by W. R. Grace & Co., and the Ozalid Div., manufacturer of office copying machines and papers for reproduction processes, by Daystrom, Inc. Bache's syndicate has been working to promote a compromise that would free the GAF assets for sale.

It Looks Like a Merry Xmas for...

● **Shoppers.** The Christmas selling season is starting now, earlier than ever.

● **Retailers.** Except in autos, prospect is for record sales this season, better than last year.

● **Department stores especially.** This may be the year they start regaining the share of the market that they have been losing since the war.

With the Thanksgiving turkey yet to be carved, visions of sugarplum Christmas profits are already dancing in the heads of the nation's retailers. This year's holiday sales, they are confident, will equal and perhaps better 1957's record. The department stores, even more ardent in their optimism, think this may be the year for regaining their traditional chunk of the total retail sales volume, at the expense of Johnny-come-lately rivals.

The word from BUSINESS WEEK reporters is that for most retailers, the Yuletide selling season has begun:

- In Allentown, Pa., Santa Claus parachuted to the fairgrounds earth Nov. 1 to launch the Hess Bros. department store's Christmas promotion.

- In Houston, Christmas themes cropped up this week in store advertising—though Danburg's, a big outlet catering to the lower-income market and looking for a 60% gain in holiday business this year, started a week earlier. "In five years," quipped a spokesman for Danburg's, "we'll be decorating the day after Easter."

- In midtown Manhattan, lighted trees are twinkling in Bloomingdale's windows.

- In Atlanta, a merchant commented: "It looks like Christmas buying has already started."

- **Prophet**—This week in Cleveland, Pres. Ralph Lazarus of Federated Dept. Stores told a National Industrial Conference Board meeting that 1958's department store sales should top 1957's by 2%. "This increase," he said, "will make Christmas this year the biggest on record for department stores." Farther into the future, he prophesied a sales upturn of 4% to 5% for the first half of the new year.

Yet neither for the short run nor the long do all merchants agree with Lazarus. In Buffalo, the big stores think they'll be lucky to match 1957 because "unemployment here today is greater than it was a year ago and Christmas Club savings are down \$1-million." Detroit merchants, too, look

for 1958 to fall as much as 7% behind last year, because of the way the auto industry has been hit. One Milwaukee store complained "day-to-day business is still poor and sales figures don't equal last year's."

But the song is more cheery from the retail brass in Denver, Cincinnati, Philadelphia, Miami, Pittsburgh, New York—all chirp that Christmas may easily pull sales ahead of a year ago.

- **FRB Figures**—Until recently, department stores weren't faring so well as in 1957. In some places that's still true, according to Federal Reserve Board figures. But in the past few weeks, gains have been hefty enough to pull over-all sales up to par with the year before. Of course, last year at this time the recession had dragged sales to a relatively low level; so it isn't too difficult for retailers to catch up with 1957.

This year, merchants will enjoy an extra shopping day during Christmas week, since the holiday falls on Thursday instead of Wednesday. A Chicago store executive points out the importance of this: "By Dec. 23 no one will be ahead of last year. But that extra shopping day will pull us through. Any increases will come on the 24th."

This would be a comparatively slim margin of improvement. But for retail sales as a whole, beating last year's totals will undoubtedly be even more nip-and-tuck. The big question is still the auto industry, where dollar volume trailed 1957 by close to 18% through September. As a result, total retail sales through that month amounted to only \$144.8-billion, off about \$1.2-billion from a year ago. Even so, by yearend the total will probably match 1957's record \$200-billion, give or take \$200-million.

- **Big Stores Pray**—If the department stores do come through with a record this year, many merchants will credit an expanding economy. But many others will use it to buttress their belief that the department stores are finally stemming the postwar decline in their share of the consumer dollar.

From 1948 through 1957, total sales

of general merchandise, apparel, and furniture—the bulk of department store volume—increased 38.5%. But in the same period, department stores gained only 17.8%, indicating a steady erosion of their market share (BW—Dec. 14 '57, p43). As a St. Louis merchant put it: "Some of the big stores let supermarkets, specialty shops, and variety stores take a lot of business away before they woke up."

- **Grounds for Hope**—The optimists give these reasons for thinking department stores are on the comeback:

- Department store branches in suburban shopping centers are just beginning to contribute volume.

- Discount houses are being met on their own terms.

- Some evidence points to a trend toward more spending on home furnishings, where department stores shine.

- More liberal credit lets customers buy better goods than they could for cash at competing outlets.

- The dip in auto sales both gives department stores a bigger bite out of total spending and releases money for general merchandise.

If auto sales surge, of course, the department stores will feel it. Yet an Atlanta merchant says "cars seem to be going well, but we're still making gains." And in Chicago several hopeful retailers agree: "We'll still maintain a larger return of consumer income vs. autos in 1959."

One executive of a big New York emporium attributes the swing back to department stores to "the resolution of department stores not to abdicate their value leadership." He also credits a wider assortment of merchandise, the "exciting adventure" of shopping in a big store, and the revival of downtown stores in many cities.

- **Plenty of Goods**—Whether or not department stores are gaining ground, most apparently think they are in good shape to satisfy a rush of last-minute Christmas shoppers. Some think the pattern this year will be the same as 1957's, when the crush didn't begin until the second week of December. Others expect a more even pace of buying.

Almost to a man, merchants think their stocks are adequate. Says a Philadelphia store: "You can always correct underbuying by fast action in the market." This seems to be the general attitude around the country.

With liquidity still the watchword of many merchants, they aren't overloaded with inventory. As the season develops, they are certain they can get deliveries fast enough to meet any sudden demand for merchandise.



ORGANIZER of Toledo's theater plan, PR man Marden Bishop, takes on theater work in office hours . . .



. . . and even early in the morning. American Theater Society, though, did much of groundwork in setting up civic theater.



HEADQUARTERS of civic theater group to work out last-minute audience seating arrangements was Bishop's living-room floor.



STAGEHANDS start work behind curtain, setting up scenery for first show, *Tunnel of Love*.

Toledo Pulls In Live Theater

Its system of furnishing a guaranteed audience for stage plays eliminates risk for road show producers who long have shied away from "secondary" cities.

"In show business," goes an old maxim of the trade, "there are three bad weeks — Christmas week, Easter week, and a week in Toledo."

But the pictures on these pages show an event held in Toledo last week that has gone a long way toward wrecking at least one-third of that saying—in this version of it, and perhaps in some of the many versions which substitute the names of other cities.

Two nights last week a road company performed the Theater Guild's production of *Tunnel of Love*. Each night the audience numbered some 1,500. All the bills were paid, most of them well in advance. Weeks beforehand, the producer knew just how much he could spend on the show because he knew even then just how many people had paid to see it. Nobody in the cast was left stranded in the wilds of the Middle West—because there was no way for the producer to misjudge the audience he could attract.

The road show business' usual risks were all taken care of in advance.

• **National Plans**—In the next few years, if several sets of plans and hopes are fulfilled, road shows will come regularly, under the same conditions, to dozens more U.S. cities of about Toledo's size. It is years since the people who live in most of these "secondary" cities have been able to see professionals on the stage regularly in their home towns. Road show producers, burdened with steadily increasing costs, have become less and less willing to take on tours of the smaller cities, anything but the most sure-fire hit shows—and these necessarily come irregularly. Meantime, the citizens of those secondary cities, from their diet of television plays and local amateur theatricals, have become more and more ready to pay to see professional stage shows in their own theaters. But most producers, scarred by the memories of the losses they have suffered in the past, are still chary of the risks involved.

I. Partners in Show Biz

It was just this kind of impasse that led to last week's opening night in Toledo—and in Toledo's selection as a pilot city in testing a plan for bringing

live theater regularly to prepaid audiences in 100 other small cities.

• **Joint Plan**—The plan was worked out by the Theater Guild and American Theater Society with the backing of an organization of most major stage show producers called the Council of the Living Theater.

The Guild, for 40 years a producer of Broadway and road show productions, has a clear interest in the scheme: The more places it can sell its productions to prepaid guaranteed audiences, the better its balance sheet will look.

The American Theater Society, a non-profit affiliate of the Guild, is primarily a theater subscription service: It already organizes subscription audiences for stage shows in 20 of the larger cities around the nation and two in Canada.

In those larger cities (Cleveland, Chicago, Denver, for example) show producers have usually been able to count on large enough box office sales to meet costs of touring their shows. Not so in the smaller cities like Toledo.

• **Chance Meeting**—And that is why, last spring, one of Toledo's theater enthusiasts called at the Theater Guild's New York City office seeking advice on how Toledo could get more and better shows. Unknown to her, the Guild and the ATS were just then seeking a small city in which to test their plan for promoting prepaid guaranteed audiences that would assure a play's producer of a specific revenue in each city even before he put his play on the road.

The Guild's plan sounded good to Toledo, and Toledo sounded like a good test city to the Guild.

• **Nonprofit Group**—The first key step in the plan was the establishment of a nonprofit corporation—Toledo Civic Playgoers Assn., Inc.—to be the local booking and sponsoring agent. This was put together by field organizers of the Guild and ATS, its board made up of 55 business and civic leaders.

The board, headed by Marden R. Bishop, public relations director of Willys Motors, Inc., decided to hold a two-week drive for a goal of 3,600 members, each of whom would pay \$8 to \$20 to see four stage shows in Toledo. If the drive were successful, the group decided, there would be two performances of each play, and admission would be by membership only.

"We felt we might fall a little short," says Bishop. They did, but not by much. They sold 3,012 memberships in the two weeks, collected \$49,000.

"But even this was amazing to us," says Bishop. "Since the whole idea of this plan is to sell membership in a kind of theater club rather than tickets to specific shows, these 3,000-odd people



CONVERTED movie theater provided stage for Toledo's first show under new prepaid, guaranteed audience plan.



OPENING draws 1,500. If plans pan out, other small cities will get shows through American Theater Society scheme.

didn't even know what they would be getting when they paid their money."

During most of the two-week drive, the group couldn't promise to stage specific shows: It couldn't complete negotiations with the producers because it couldn't really be sure that its drive would be successful. Even now, its program for the season is not complete. It will stage *Sunrise at Campobello* early in January, but it is not yet sure what the two remaining shows for this season will be.

• **Where Money Went**—Last week's two performances of *Tunnel of Love* cost the group a flat \$2,500-a-performance fee to the Guild as producer. Other expenses—stage hands' and ushers' salaries, theater rental, publicity—pushed the cost of the two entire productions to more than \$6,700.

The ATS for its services as organizer of the membership campaign, counsel in the negotiations for the shows to be staged, and general catalyst, gets a 15% fee off the top of the Toledo group's first-year budget—about \$7,350.

Probably all of the remainder will be used to pay for this season's next three shows. If there is anything left after that, it will go into next season's budget. "We don't have to worry about profits," says Bishop. "All we care about is getting enough money to keep buying the better road shows."

II. Trials of the Road

Toledo's first show went off well last week. It opened to one-half of the Playgoers' audience Monday night, to the other half on Tuesday night. And it managed to draw just about the full complement that second night—against the powerful attraction of election returns on television.

But it still can't be said for sure whether the Guild-ATS plan has been proven successful. The primary purpose of the Toledo test is to show Broadway stage producers that there's a way of avoiding the risk of steep losses in sending shows to the nation's smaller cities.

• **Gambler's Streak**—Yet, even if it does prove this, it still might not be the kind of successful plan that can be tried in scores of other smaller cities. For it has to fight against the fact that most stage producers have a heavy streak of the gambler in them. When they think they have a sure-fire hit, they might not want to sell their plays for fixed fees; they might prefer instead to gamble on getting more out of unpredictable box office sales.

Says Harlowe Dean, deputy director of the Theatre Guild-ATS: "We still have a lot of persuading to do to prove this plan a success. Next season we aim to be busy in more of those secondary cities."



Shocked by election results, Eisenhower launches campaign to cut deep into next year's spending, reduce deficit.

Squaring Off for the

Washington is squaring off for a two-year political struggle over levels of federal spending.

The budget for the federal government submitted to Congress next January is going to be the point of a head-on collision—between a President who wants to cut spending and a Congress committed to programs that can only increase outlays.

Pres. Eisenhower believes the biggest issue raised by the Democratic election sweep last week is inflation—and that a slash in spending is the only answer.

Democrats, in the flush of victory, say the big issue is leadership—and leadership as they see it costs more for everything, from missiles to slum clearance and scientific research.

Here's what seems likely to emerge, assuming no new war threats, and no worsening of the business picture:

- Spending during this fiscal year—the 12 months ending in June, 1959—will not be markedly altered from the \$79.2-billion fixed by Congress and Administration before the election.

- Eisenhower will make every effort to present a budget of less than \$80-billion for the next fiscal year—the one that ends in mid-1960. This is the document he will send to Congress in January.

- Whatever Eisenhower proposes, Congress is likely to raise spending levels for fiscal 1960 somewhere in the neighborhood of \$2-billion above 1959, and appropriations—covering expenditures into future years—by more than \$2-billion. Thus the outlook for spend-

ing in fiscal 1960 is in the neighborhood of \$82-billion, with the exact level depending on the outcome of the slugging that will start when Congress meets.

Already, Eisenhower has put two spending programs at the top of his list of places where fat is to be found and cut. They are farm subsidies and veterans' benefits. Between them they account for nearly \$12-billion of spending this year.

I. White House Arsenal

On the surface, the contest—between a Congress dominated by heavy Democratic majorities and a lame duck President just rebuffed at the polls—is far from equal. The stock market, for one, greeted the President's promise of an all-out economy fight skeptically. When Eisenhower delivered his anti-spending sermon the day after the election, the market swept into a two-day rise that carried averages up 10 points—based at least on the assumption of increased expenditures and further inflation.

Yet a truly determined Eisenhower has powerful weapons he can train on the new generation of spenders in Congress.

- **Power of the Veto**—His most direct weapon is the veto. In the Senate, Democrats will be at least two votes shy of the two-thirds majority necessary to override a veto on a straight party vote. They will be nine votes short in the House. If a few Southern conservatives bolt to Eisenhower on spend-



Triumphant Democrats, under Lyndon Johnson, plan expanded—and costly—federal programs.

Fight Over Spending

ing issues, he will have no trouble in blocking appropriations bills that he thinks are too high. In an appropriation veto test this year, Congress ended by going along with the President, and it may wind up doing the same occasionally in 1959.

A powerful indirect weapon is the President's Constitutional right to refuse to spend what Congress appropriates. This year, for example, Congress voted \$816-million more for defense than Eisenhower asked, and very little of this sum is likely to be spent this year. The \$97-million voted to maintain a larger army than Eisenhower wanted and \$131-million for procurement of extra troop-carrier aircraft will definitely not be spent. A \$51-million appropriation for KC-135 tankers will probably be blocked. Decisions are still pending on \$492-million for Polaris-type submarines and \$123-million for Air Force Minuteman and Hound Dog missiles.

Refusal to spend appropriated money infuriates Congress, but there is nothing that it can do under existing legislation to force a reluctant President's hand.

• **Sniping at Inflation**—In addition, Eisenhower will have the support of conservative groups that fear federal spending and inflation as much as he does. One of these, the U.S. Chamber of Commerce, played a big role in stirring up the surprise economy drive early in 1957 that for a time made substantial inroads into the fiscal 1958 budget. It was the Russians' success with their first earth satellite and the

recession that brought this campaign to an abrupt end.

But the Chamber is preparing another effort for 1959, and other groups will join. White House officials hope a backfire can be started in time to check the Democratic onslaught.

Eisenhower is opening his drive in a politically sensitive area. A few days after his blast against the spenders, he called Budget Director Maurice Stans and Veterans Administrator Sumner Whittier to his office for an hour-long look at the \$5.2-billion Veterans Administration budget.

II. Capitol Hill Strategy

On the whole, however, Eisenhower has taken on an uphill fight.

Even before the election, upward pressures of almost every major spending program were sweeping the budget toward \$80-billion-and-over levels. Budget Bureau officials privately say all Eisenhower can do now is slow down the rate of rise.

The new posture of Democrats is clear. Lyndon Johnson, Senate Majority Leader and his party's chief spokesman in Congress, has already laid down what is in effect a Democratic State of the Union Message.

It is full of hints that Johnson, who at heart is a fiscal conservative, read the election returns the same way Eisenhower did—as a mandate to the Democrats to push hard for expanding federal programs.

Johnson, along with his fellow Texan

Sam Rayburn, Speaker of the House, will undoubtedly be retained in their leadership roles by the new Congress.

• **Democratic Targets**—Johnson, in a postelection speech in Texas, linked the Democratic legislative program for 1959 to "the greatest age of expansion." Congress can be depended on to reflect the mood of the public, and, he said, the mood is one of growth.

Here are some programs he cites:

A drive to explore outer space and expand peaceful uses of the atom, particularly an atomic-powered merchant marine. Democrats will want to move faster than Eisenhower in these areas.

Stepped-up water conservation projects in the West. This year, Eisenhower opposed new starts, but Democrats voted some anyway and the same pattern can be expected in 1959. Just before the election, a key Budget Bureau official assured the National Rivers & Harbors Congress that all the \$1.2-billion voted for army civil works and reclamation would be spent. This amounted to assurance that any Administration-sponsored economy drive would spare such projects. But since the President's postelection blast against spenders, officials are cagey about repeating such assurances. This may be a major area of combat. Many of the newly elected Democrats are from Western states where water is always a prime issue.

Aid for economically depressed areas of the U.S. Eisenhower vetoed a bill of this kind this year and the veto stuck, but Democrats will be back in 1959.

Urban renewal and a housing program aimed at "a home for every American family." Before the election, Democrats in charge of housing programs in Congress were saying that stimulants would be increased. But Eisenhower objected to housing actions taken by Congress this year and will oppose them again, perhaps even to a veto.

An airport construction program, with an eye on jet age needs. Here the Democrats may run into opposition from Eisenhower's new Secretary of Commerce, Lewis L. Strauss. Strauss bitterly opposed Congressional spending programs when he was chairman of the Atomic Energy Commission, and is likely to be one of the most enthusiastic backers of the new economy drive.

III. Realigning the Ranks

To the liberal wings of both parties, and especially the Senate Democrats, the Johnson program—while it would mean heavy new spending—is accepted only as a bare minimum. This is because the 86th Congress is much heavier with the New Deal-Fair Deal liberal types than its immediate predecessor.

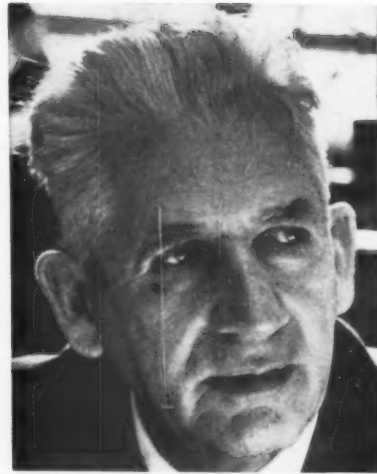
This week, the leaders of the liberals



SEN. HARRY BYRD (D-Va.), a segregationist and ultra-conservative on most issues, symbolizes right wing of majority party.



REP. WILBUR MILLS (D-Ark.) is a leader of the moderate group, particularly on taxes and welfare.



SEN. PAUL DOUGLAS (D-Ill.), New Deal economist and champion of civil rights laws, is in group heavily reinforced by election.

—especially in the Senate—began to lay down strategy for translating their election gains into real legislative strength.

Their plan is to put liberal newcomers in heavy numbers into key committees, such as finance, banking and currency, and appropriations. The new seats are available. Democrats, who have had a bare majority in the committee line-ups, now will have about a 2-to-1 ratio on most in the Senate, 3-to-2 in the House.

Under the tutelage of such veterans as Sens. Hubert Humphrey and Paul H. Douglas, a liberal Democratic Senate caucus will be held within the next month to decide who goes after which committee assignments.

Then, during the last week in December, the liberal Senate Democrats plan another caucus with their liberal Republican colleagues on terms for amending the Senate's Rule 22—which permits unlimited debate or filibuster.

• **Concessions**—Already, the conservative Democratic and Republican leaders reluctantly have begun to acknowledge the new facts of political life:

• Senate Democratic Leader Johnson's 12-point legislative program appeals to his newly potent Eastern, Midwestern, and Western blocs. Notably, Johnson omitted the demand for a natural gas bill—anathema to most of the liberal wing.

• Behind scenes, Johnson began negotiating with Sen. Douglas on a watering down of the Senate's Rule 22 that Southerners can accept with a minimum of gagging. The first Johnson offer was rejected. It would have permitted suspension of filibuster after 48 hours by a two-thirds vote of "those present and voting." Liberals probably will insist on an added provision that will permit a simple majority to cut off

debate after seven days—a change that would improve prospects for school construction, public housing, etc., as well as civil rights.

• On the Republican side, Chmn. Styles Bridges of the Senate GOP Policy Committee moved toward accommodation of the relatively small, but vocal, group of Republican liberals who threaten open rebellion against what they consider to be a discredited "old guard" leadership.

Bridges has agreed to junk the traditional Republican system of putting new GOP senators only on minor committees, and, equally important—from the view of such hardy liberals as George Aiken of Vermont, Thomas Kuchel of California, Clifford P. Case of New Jersey, and newly elected Hugh Scott of Pennsylvania—to give them an official position in the formal Republican leadership.

"For the first time," one of them says, "We liberals will have . . . a chance to tell Pres. Eisenhower what's going on in Congress, what's possible, what's impossible."

IV. Anatomy of the 86th

With Alaska yet to hold its first statewide elections (two senators, one House member), Democrats held a 62-to-34 edge in the Senate and a 282-to-153 margin in the House. One of the most remarkable effects of last week's elections, however, is the boost given to Eastern, Western, and Midwestern Democrats.

In the 85th Congress, the 24 Southern Democratic senators were at an approximate standoff with their 25 Democratic colleagues from other sections. Now, the Southern ranks held steady at 24, but the Eastern, Western, and Midwestern aggregation—swollen by the

likes of Clair Engle in California, Gale McGee in Wyoming, Eugene McCarthy in Minnesota, Howard Cannon in Nevada, Edwin Muskie in Maine, Thomas Dodd in Connecticut—numbers 38 senators.

• **Policy Shapers**—This Democratic group clearly could shape intraparty policy through sheer weight of numbers. Add to it a hard-core GOP liberal bloc of at least 10 senators plus Alaska's two—who, regardless of party affiliation, will tend to the liberal side—and you can see a liberal majority of the Senate.

In the House, where local considerations tend to weigh more heavily and make such generalizations less meaningful, there is the same apparent shift toward the so-called liberal side.

It is one thing, however, to say that liberal strength will be greater and quite another to say that the strength can or will be used effectively on specific issues. This is the test facing the Humphrey-Douglas wing of the Democratic Party in the Senate, which plans no challenge to the Johnson leadership but which will demand a greater voice in party strategy.

• **Southern Opposition**—However, several salient facts are apparent. For one thing, Southerners will harden their opposition to legislation in the field of civil rights. This is their "lesson" from the cutting down of Arkansas' moderate Democratic Rep. Brooks Hays by a last-minute write-in segregationist, Dr. Dale Alford, in Little Rock. The instinct for political self-preservation will drive the Southerners—24 Democratic senators and 120 House members from both parties—to more extreme positions on this issue.

But, among these Southerners, there are such men as Rep. Albert Rains, and Sen. John J. Sparkman, both of Alabama, who will direct the coming bat-



SEN.-ELECT PHIL HART (D-Mich.) typifies substantial group of new congressmen who owe their seats to labor backing.

tle for new, more liberal housing legislation and more urban renewal funds.

- **Regional Pitches**—Just as regional interests dictate positions on civil rights, so they help define lines on many another issue. For example, Lyndon Johnson is responding to new-found strength of his party throughout the West—which will have 17 Democratic senators now, vs. 13 before; 31 House members, vs. 26—when he puts heavy accent on water development and conservation. In the Midwest, where Democratic strength in the Senate jumped from 7 to 11 and in the House from 46 to 68, Johnson makes a bow by stressing the necessity for a new farm program. For the Midwest and the East, where Senate Democratic strength doubled from 5 to 10 seats and House seats jumped from 53 to 72, Johnson makes political hay with such issues as urban renewal and aid for distressed areas.

- **Labor's Friend**—For labor, the 86th Congress promises to be the friendliest since early New Deal times. AFL-CIO spokesmen calculate union friends outnumber foes at least 240-to-195 in the House, at least 64-to-32 in the Senate. Certainly, heavy labor assistance contributed materially to the election of new senators such as Stephen Young in Ohio, Harrison Williams in New Jersey, Dodd in Connecticut, Phil Hart in Michigan, and the Republican Hugh Scott in Pennsylvania. Of approximately 80 new members in the House, labor rates about 60 as friendly.

In such a climate, big labor is prepared to present a big bill to the new Congress. It won't get everything it wants, but in the field of labor relations it does seem likely the new Congress will vote a new version of the Kennedy-Ives reform bill and a broader minimum wage (page 99).

Behind the Million-Dollar Kite

A New Yorker has been charged with bilking the banks of perhaps \$1-million through kiting checks—allegedly with the connivance of some bank officials.

A complex interstate check-kiting scheme aimed at defrauding a group of banks in New York and Florida was broken up this week by the Federal Bureau of Investigation. Accused as the brains behind the scheme was one Joseph Lamonica of New York. Officials say he may have duped the banks for as much as \$1-million.

So far, federal investigators have discovered that Miami's Boulevard National Bank has lost over \$300,000 in bad checks. They also believe that a group of banks in suburban Long Island suffered heavy losses in one of the biggest check-kiting operations ever uncovered.

- **How to Kite Checks**—In check-kiting, a check is cashed although it is not covered by funds—the drawer expecting to cover it by the time the check clears. It is a fairly common practice because it takes at least two days for a check to clear. Thus, a bank may accept checks for deposit and then honor a check on itself before it determines whether the deposited checks are good and provide enough funds to cover the withdrawal.

The simplest form of illegal check-kiting involves setting up an account with a bank, say, in New York by depositing a check drawn on a San Francisco bank. Then, an account is established in the San Francisco bank with a Houston bank check. By this time, the check-kiter will be able to withdraw cash from the New York bank, which had the San Francisco check cleared, and can keep up the fraud.

Banks tend to be lenient when a big account is involved and the customer does not make a habit of writing bad checks. For example, a businessman who is speculating on the stock market may buy stock in hopes of an immediate rise. He pays for it with a bad check, but figures to cover as soon as he sells the stock. If he is a good customer, the bank may honor his check, merely warn him against any recurrence.

- **Telltale Signs**—It is just a step from this practice to out-and-out check-kiting. Most big banks—and the Federal Reserve banks—normally single out one or two employees to keep on the alert for a check-kite swindle. The telltale signs, says one official, are when withdrawals against uncollected funds are continually increasing, or when a depositor is making up for his overdrafts with checks drawn on other banks.

But under certain conditions, illegal check-kiting can work—at least for a while. One prerequisite is establishing a good credit position with the banks, so that bankers are willing to lean over backwards in any dealings. Another is to choose small banks, where the personnel can easily be impressed with a big account and are not so expert in spotting trouble. It's essential, too, to have accounts in banks in different parts of the country, because check-kiting depends on getting the maximum clearance time on bank checks.

- **Lamonica's Technique**—Lamonica established himself at a number of banks as a wealthy businessman with interests in both New York and Florida. In addition, it is charged, he came up with some special twists that managed to conceal his operations for a considerable period.

Investigators say the main reason that he appears to have been able to balloon his check-kiting was that he got the cooperation of a number of bank officials. In New York, according to Asst. U.S. Attorney Kenneth Sternberg, Lamonica had business dealings with Malcolm T. Ryan, former branch manager of Long Island's Security National Bank, and with Gunther Fisher, former branch manager of the Westbury Trust Co.

- **On to Miami**—In Miami, the Boulevard National Bank fired bookkeeper Glen C. Hibbs, who admits that Lamonica had made him some gifts.

Actually, Lamonica is not believed to have started his check-kiting until after his credit was assured in New York. Then he opened an account with the Boulevard National in Miami, a comparatively new bank, in business only since 1956. As J. W. Carter, Boulevard's vice-president and cashier, describes it: "He didn't bring letters of credit—he did better than that. He brought the manager of a bank in Long Island to vouch for him."

The manager was Ryan, who described Lamonica as a big businessman and a valuable customer. Lamonica opened an account with a \$20,000 check drawn on the Security National—Ryan's bank—and subsequently had four different accounts at the Boulevard, all established with checks from Long Island banks.

- **Shipboard Parties**—At first, checks moved in large amounts between Lamonica's New York accounts and the Boulevard, but without any trouble.

In the meantime, Boulevard's officials including Charles H. Alcock, president, and Carter—were entertained on Lamonica's yacht by "Captain" Robert Nelson, who was authorized to act as Lamonica's agent with power to deposit or draw checks in Miami.

Through Nelson, Lamonica deposited a large Westbury Bank check for which he wanted cash. The bank provided him with cash although the check had not cleared. And back in Long Island, it is charged, Lamonica deposited a Boulevard check with Westbury to cover the withdrawal.

All told, Nelson is alleged to have presented some 17 checks—ranging between \$15,000 and \$64,000. According to Carter, only \$40,000 was withdrawn in cash in Miami; the remainder, some \$300,000—was drawn against Boulevard in Long Island.

• **Money to Make Money**—If he were carrying out check-kiting on this scale, Lamonica had to have some funds available. He needed money to open his original accounts on Long Island and to obtain a good credit rating. Moreover, all a check-kiter gets, essentially, is temporary use of a bank's funds. If he is to avoid exposure, he has to replace the money eventually.

One method Lamonica used to obtain additional cash was to set up the National Endorsement Corp., which was advertised in New York as a sales finance concern offering investors 9% a year for funds. The firm's two top officials were Lamonica and Gunther Fisher, then manager of the Westbury bank. But soon after the ad appeared, New York State Banking Dept. stepped in to close National Endorsement for soliciting deposits without a charter.

• **Backed by Bonds**—Lamonica's other step was to borrow money from banks by providing collateral in the form of surety bonds issued by a bonding company. According to Carter, Lamonica brought his own insurance agent, John Kielly, who had been an agent for the Phoenix Insurance Co., into the Boulevard National. Carter assumed that the surety bonds were good.

Now the banks are finding out that some of the loans they made to Lamonica are backed by forged Phoenix securities. Boulevard National admits that it is holding \$75,000 in bad bonds. And a number of Long Island banks are holding other bad bonds. In one case, Westbury had a bond with the same serial number as a bond held by Central Bank & Trust of Great Neck.

It is clear that some banks not involved in check-kiting were making loans on the security of the bonds. Long Island's biggest bank, Franklin National, won a summary judgment against Phoenix Insurance for \$350,000 after one loan went into default.

Lamonica first began running into

trouble with the investigation into the National Endorsement Corp.

Investigators also say that Lamonica apparently forgot that Columbus Day was a bank holiday in New York but

not in Florida. When his New York banks discovered that money had been withdrawn from them in Florida before they had received checks to cover them, the kiting was stopped.

World Business Good

● The U. S. recovery calms the fears of officials and businessmen abroad. It restores faith in the resilience of the capitalist system.

● Many other Free World countries, at worst, weren't as badly hurt as they had expected, and U. S. recovery merely bolsters their own continuing improvement.

Businessmen throughout the Free World are a lot more optimistic this fall. BUSINESS WEEK reporters, sampling business opinion in Western Europe, India, Japan, Latin America, and Canada, find that the blues of last spring have disappeared, just as they have in the U. S.

It's the upturn in American business activity, more than anything else, that explains the confident mood abroad. Last spring there were widespread fears that the U. S. recession would last into 1959, dragging most other non-Communist countries into a general slump.

Now there's a feeling abroad that the U. S. economy, and the Free World economy as a whole, are essentially healthy. Indian businessmen, for example, hail our recovery as proof that today's free system isn't helpless, as the Communists charge, before cycles of boom and bust.

• **Some Soft Spots**—This doesn't mean that every country or every area in the Free World is out of the woods. Many raw material producers still are feeling the slump in commodity prices.

Free Asia as a whole (the countries stretching from Pakistan around to Japan) is running short of foreign exchange reserves and today leans precariously on outside financial aid, especially from the U. S. Canada is fretting about the threat of heavy winter unemployment, Australia about its wool sales, and Brazil about its coffee income. Western Europe is the one large industrial-trading area abroad where there seem to be no clouds on the horizon.

• **More Sober Growth**—However, even in Western Europe, the prospects are for a slower rate of economic growth than during the 1952-56 boom. That's partly because almost every European government is determined not to risk inflation for the sake of growth. With Washington taking the same attitude, the international business climate isn't likely to be as bullish in the next few

years as it was before the 1957 slowdown. In fact, some economists fear that the fight against inflation may shut off any solid new expansion.

Whatever the rate of growth ahead, there can be no doubt about the change that has occurred—between last spring and today—in business opinion abroad.

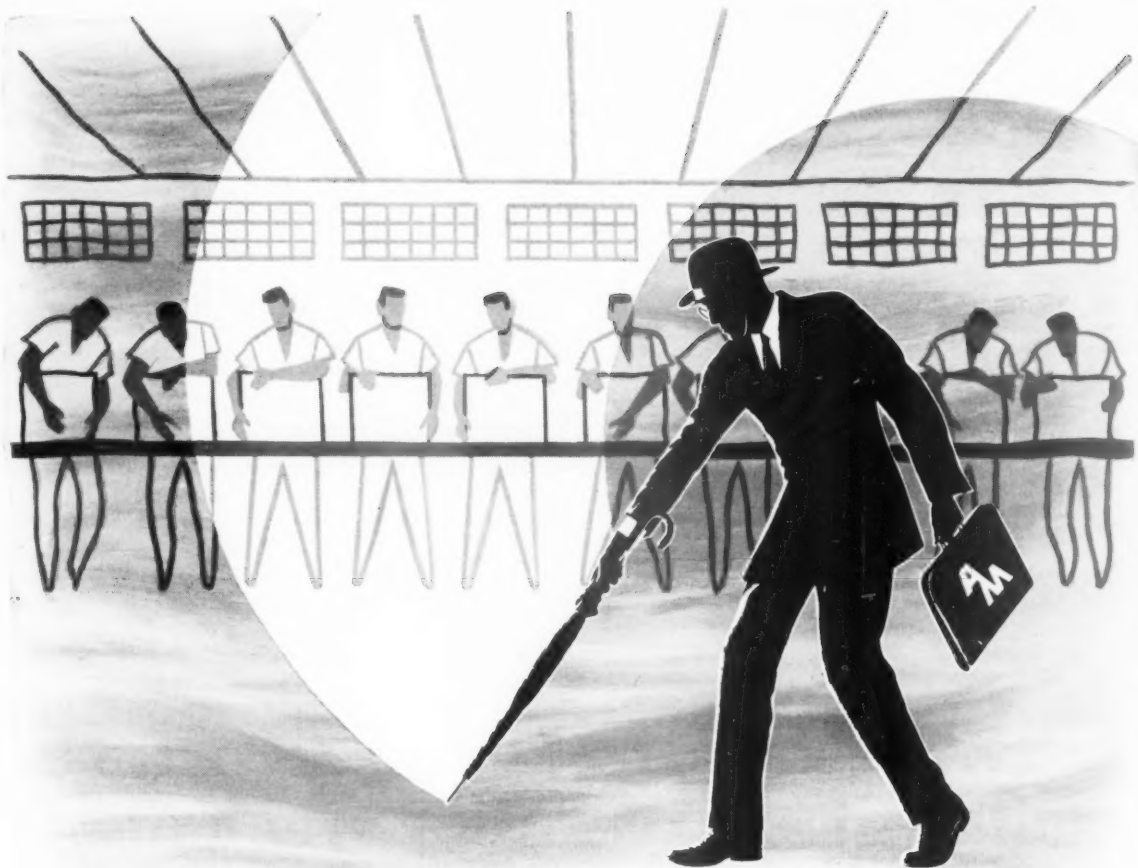
I. In Western Europe

At the Organization for European Economic Cooperation in Paris, last spring's pessimism has been wiped out by the American recovery. Top OEEC economists have regained their earlier confidence that Western Europe will achieve the ambitious production and trade targets set more than two years ago in an OEEC study called "Europe in 1960." These economists expect the Common Market, which starts Jan. 1, to bring a new upsurge in industrial activity and investment.

London, although worried that the Common Market (in which it is not included) will get going without the associated Free Trade Area (in which it is), still is optimistic about the general world trend. The British are counting on two recent conferences—the Commonwealth meeting in Montreal and the World Bank-International Monetary Fund session in New Delhi—to bolster the buying power of the Commonwealth's underdeveloped areas.

In Bonn, by contrast, there's some doubt about a comeback in world trade—but not enough doubt to shake the almost arrogant confidence the Germans have in their own economic outlook.

West Germany, in fact, has come through the American recession and this year's drop in world trade virtually unscathed. To be sure, the German economic boom has slowed down. But that has helped stabilize prices at home, while the fall in world prices of raw materials has eased pressure on prices of the finished goods that Germany



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exports. While new export orders are trailing well behind 1957 figures, actual exports have been running slightly higher this year than last.

On the domestic side, there still are a few weak spots such as coal, steel, and textiles. But West German production of most capital goods still is climbing, and so is building construction. Employment is at an all-time high. Consumer spending on durable goods is rising, even while personal savings increase. This bears out the government's expectation that domestic demand would take up the slack produced by a decline in foreign demand. With capital investment also picking up again, the Economics Ministry predicts that the gross national product will increase during 1959 by 3% or 4%.

France has had nearly four years of uninterrupted economic expansion and considerable inflation. This expansion has slowed to a standstill. The production index, which early this year showed a 10% gain over 1957, now is steady. But if there's a recession in France, it is hitting producers of consumer goods rather than basic industry. Electric consumption still is climbing, and the steel industry continues to produce at a high rate.

French government officials don't attribute the slump in consumer durables merely to the official credit squeeze of the past year. They also explain it this way: Many people under the Fourth Republic were putting money into anything they thought they could use, in order to avoid an expected loss as the franc depreciated. But under de Gaulle there is more confidence in the franc.

Britain still is going through a mild recession. Gross national product is down 1% from last year, and exports are down about 7%. But both the government and the business community are highly optimistic.

That's largely because of this year's healthy trade surplus and the unusual strength of sterling. In fact, U.S. imports of British goods have risen this year just as the drop in commodity prices (partly triggered by the U.S. downturn) cut the British import bill.

With London's financial position relatively so strong, the Macmillan government has been able to ease the credit squeeze. Today it is actively promoting expansion. With government policy due to push consumer demand above its present high level, and the outlook for Commonwealth trade picking up, British businessmen expect a strong upturn over the winter.

II. In Asia

Free Asia, with its 700-million people, is one of the world's great trading areas. Its total trade tops

that of Latin America. But for several years the foreign exchange reserves of most countries in the area have been shrinking. This has caused governments to scale down their development programs, and businessmen to worry about essential imports of capital goods and industrial materials.

In Bombay last spring—before the U.S., Britain, and West Germany jointly covered the Indian foreign exchange gap—businessmen talked gloomily of their prospects, forecast that grass would soon be growing in the city's busiest streets. Now that the U.S. recession is over and outside aid is assured, the mood in India is moderately optimistic. In Japan, too, businessmen are much happier.

In India, the U.S. upturn is bolstering confidence as much for political as for economic reasons. In fact, the direct impact of our recession hasn't proved very serious. According to Indian calculation, it has only reduced this year's U.S. imports of India's primary products (items such as manganese, jute, and oil seeds) by about \$30-million.

What's important is the feeling of government officials and businessmen that the U.S. now is officially concerned with helping to stabilize the Indian economy by expanding both aid and trade. Then, on India's side, a more favorable official attitude to foreign private investment has developed over the past year (page 102).

Japan's businessmen, who were in the dumps early this year, now look forward to 1959 with confidence. They count on some improvement in sales to underdeveloped countries in Asia and elsewhere—it was these sales that lagged most this year—and to a continued rise in exports to the U.S.

During 1958, in fact, it has been the growing U.S. demand for Japanese goods that has sustained Japan's total exports. In the first half of this year, Japanese sales to the U.S. were 14% higher than a year earlier, and for the second half of 1958 it looks as if the increase will be 10%.

III. In the Americas

In this hemisphere there hasn't been quite the same spring-to-fall swing in business opinion as in other areas of the world. To the north in Canada and to the south in Latin America, businessmen weren't so bearish last spring as their Indian and Japanese counterparts. And today they aren't relatively so bullish.

Still, if you take Canada and two key Latin American countries—Mexico and Brazil—you find basic optimism about the future and little evidence of direct damage from our recession.

Canada, all through 1958, has been

climbing out of the recession that struck in the last half of 1957. Today, Canadian businessmen figure that, since their recession was largely due to the weakening foreign demand for Canada's exports, recovery in the U.S. and elsewhere is bound to help strengthen the Canadian recovery. (The fact is that Canada's exports have held up remarkably well, while its imports have been dropping.)

Yet Canada is still a long way from a renewal of its postwar boom. The readjustment to the collapse of this boom—one that was generated by high capital investment and a rapid increase in the Canadian labor force—still will take some time to work itself out.

Unemployment in Canada continues high. This winter, it may reach 10% of the labor force, thus aggravating the present labor unrest. In an effort to offset both the political and economic consequence of unemployment, Canada's Conservative government continues to push its strong anti-cyclical policies. In the current fiscal year these policies will give Canada by far the largest peacetime deficit in its history. But businessmen know that, until there's a new upsurge of private capital spending, the Canadian boom won't get rolling again.

Mexico's finance minister, Antonio Carrillo Flores, is exuding confidence these days. Talk to him, and he will say: "This is the first United States recession we have weathered in 20 years without devaluing the peso, and the first one we have really come through without serious economic setbacks."

Flores figures that Mexico's exchange reserves, which stood at a healthy \$477-million at the end of last year, will be down by no more than \$60-million at the end of this year. His explanation: While the income from Mexico's exports has fallen off, tourism has bolstered the entire economy. Tourism has become Mexico's greatest economic stabilizer.

In Brazil, government officials don't feel that the U.S. recession has greatly affected their economy, not even their coffee problem. And they figure our recovery will have equally small impact.

Brazil's troubles, they say, are almost all home-grown—a combination of deficit financing and excessive credit expansion that has generated inflation, plus over-dependence on coffee exports.

These officials and most Brazilian businessmen now believe that economic progress depends on the success of the new finance minister, Lucas Lopes, with his stabilization program. The real question is whether Pres. Kubitschek is strong enough to resist the heavy social and political pressures that the stringent Lopes program already is meeting.



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In Business

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High Court Bars LIFO Tax Refund, Will Hear Gas Pipeline Case

The U.S. Supreme Court this week acted on a handful of important business cases. Among other things, the court:

- Wiped out claims to huge tax refunds by R. H. Macy & Co. and other retailers, involving the so-called LIFO system of inventory. If allowed, the claims could have been close to \$1-billion, the government claims.

- Agreed to pass on the Federal Power Commission's right to O.K. natural gas pipeline projects without first determining the fairness of the prices for gas that the pipeline will pay to independent producers.

- Agreed to decide whether corporations that dissolved after antitrust indictments may still be prosecuted and fined.

- Handed the Civil Aeronautics Board a major setback by upholding a lower court ruling that CAB has no authority to regulate depreciation practices of the major airlines.

• • •

U.S. Stork Watchers Raise the Ante As Baby Boom Outruns Estimates

Official U.S. stork prognosticators this week boosted their population estimates in an attempt to catch up with the baby boom. Estimates made three years ago have proved hopelessly meager, so the seers now make a top guess of a 273-million population by 1980, a forecast gain of nearly 100-million in 22 years.

All of the 1955 estimates have been junked. In 1975, by the new guesses, population will lie between 215.8-million and 243.9-million; the earlier predicted range was a modest 206.9-million to 228.5-million.

In hiking the estimates, the statisticians find the largest likely gains in children under 14, and in the 15-24 group. Estimates for the prime working group—35-49—remain about the same.

• • •

Miami TV Case Bobs Up Again With Moves to Disqualify Winner

The long controversy over National Airlines' tactics in winning a four-way contest for TV Channel 10 in Miami moved toward a showdown this week, with all signs pointing to a bad setback for National's subsidiary, Public Service TV, Inc. Both the Justice Dept. and the Federal Communications Commission's legal staff filed briefs recommending that National and two of its three competitors for the channel be disqualified.

This is the case that made headlines earlier this year

for the House Committee on Legislative Oversight in its investigation of "influence peddling," and resulted in the resignation and indictment of FCC Commissioner Richard Mack. Now FCC, under court order, is delving into the case again.

The Justice Dept. brief, signed by Atty. Gen. William P. Rogers, argued that any applicant who contacts the commission outside the hearing room should forfeit his rights. On this basis, National's Channel 10 license would be canceled, and both it and two of the three losing applicants would be disqualified.

FCC, desperately anxious to regain public confidence, is combing through every case mentioned by Congressional investigators. Post-mortems are scheduled on cases involving Boston, Pittsburgh, St. Louis, Springfield, Ill., two Orlando (Fla.) stations, and a second Miami channel.

• • •

U.S. O.K.'s Highway Billboard Rules With Mild Concession to Advertisers

Regulations for billboards along the new interstate highways have been O.K.'d by the Commerce Dept., pretty well along the lines originally proposed (BW—Sep. 13 '58, p. 36). However, the advertising trade won a few concessions, notably an increase of permitted billboard size from 60 sq. ft. to 150 sq. ft.—still far smaller than most existing billboards.

The individual states now have until July 1, 1961, to decide whether to enforce the federal rules, and so qualify for a cash bonus of one half of 1% of the cost of the highways.

• • •

New "Biggest Tent Show" to Challenge Ringling Circus on the Road in 1959

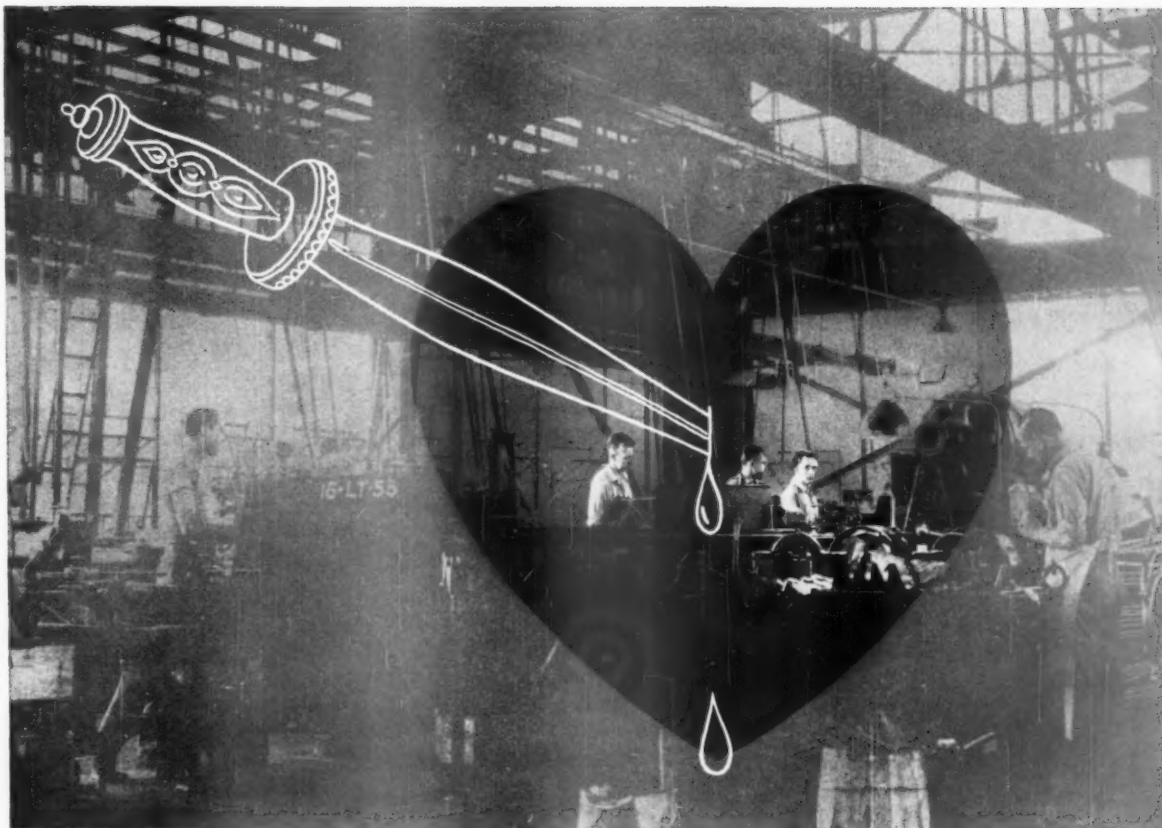
Two lively circuses still playing the tanbark route under canvas merged this week into the Clyde Beatty & Cole Brothers Combined Show—to be billed in 1959 as the country's biggest tent show modernized and with "top name" European acts.

Long rumored, the Clyde Beatty and Cole Brothers union is intended as a serious challenge to the road dominance of Ringling Brothers and Barnum & Bailey, which rolled away its canvas in 1956 and has been showing in arenas. The first real test will come in April. Ringling's annual run in New York's Madison Square Garden will encounter Beatty & Cole competition across the river in New Jersey.

• • •

Oleo Output Tops Butter

U.S. producers of margarine this year will spread themselves into a slight lead over butter, for the first time in history. Agriculture Dept. estimates are that 1958 output of margarine will be 1,575-million lb., up 8% over the previous year. Butter output will be 1,515-million lb., a drop of 2%.



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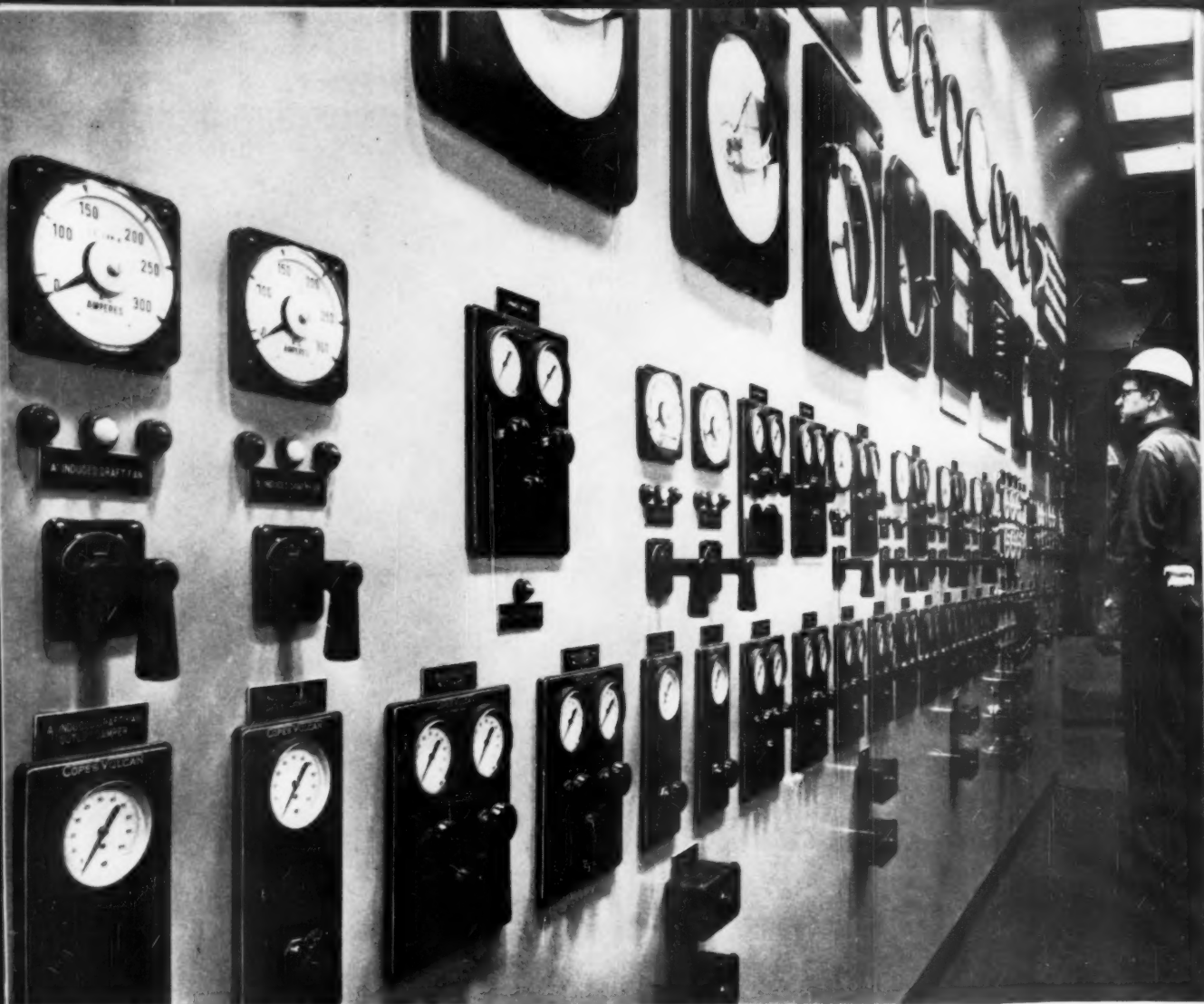
We can help you plan a sound replacement program, commencing with an in-plant analysis of the *profitability* of your equipment. We offer a variety of financing plans to provide for the payment of your replacement out of profits.

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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
NOV. 15, 1958



Watch for prices to become a top issue in the new Congress.

Both parties will be maneuvering now for political advantage in 1960. The expectation on all sides is that the struggle will be costly to the taxpayer and, coming at a time when business is on the rise, will put an inflation bite on the purses of consumers and businessmen.

Note the budget prospects (page 28):

Eisenhower's goal: to hold his 1960 fiscal spending schedule inside \$80-billion, close to this year's estimated \$79-billion, but way over last year's \$69.5-billion.

Democrats will add a program of their own in Congress. It's top-heavy on the side of still more spending. Presidential vetoes will kill off some projects. But the end result will be still more federal spending at a time when there is great worry about resumption of the inflationary uptrend.

Take a look at the Democratic program:

"Breathing life" into the new space agency—which means more spending, more money for both research and production of spacecraft.

More use of the atom for peace, with the emphasis on power projects and an atomic merchant fleet. The cost will be high.

More water conservation projects in the West—always costly.

A new farm program to increase farm income.

Help to depressed areas—federal loans and grants.

More money for housing—"a home for every American family."

And, easy money.

It adds up to new pressure under prices—more government spending in a rising business trend, coupled with plentiful and cheap credit to stimulate the private demand for goods and services.

But the Democrats say they don't want inflation. Leaders define their goal as full employment, full production, and stable prices—the latter meaning stable prices to consumers.

That's why Congress will busy itself with price trends. Keep an eye on the Joint Economic Committee, under Rep. Patman, Texas Democrat. It starts hearings next month on "the relationship of prices to economic stability and growth."

— • —

What might Congress do about inflation? This is a difficult question to answer at this time. Too much depends on the trend prices take next spring or early summer, when wage raises again will be in the picture.

But here are some ideas to have in mind—ideas now being talked up in Washington, mostly in Congressional circles:

Amend the Employment Act of 1946, so that the federal government not only will be committed to create and maintain "conditions which will promote maximum employment, production, and purchasing power," but will be committed to do this at stable prices.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
NOV. 15, 1958

Provide a Presidential review of inflationary wage-price situations. The President would talk with business and labor leaders, but would have no authority to dictate their actions.

Set up an anti-inflation council, made up of labor and management. The government's role would be to supply information on what wage and price rises would do to the economy. Idea is to limit increases.

Vote stand-by controls—power for the government to freeze wages and prices and set terms for installment buying. Advocates say such power on the books would influence labor and management to moderation.

Note the political angle in all of these schemes. Congress would take no direct responsibility for maintaining stable prices. The whole job would fall on the executive. Then, if prices should get out of hand between now and 1960, it would not be the Democratic Congress voters should blame but the Republican White House. The Administration wants no part of these schemes. But there is a question as to whether they can be avoided.

—•—

The new Congress will start fresh. All legislation left pending is dead. Bills left hanging when Congress quit now have no standing. They must be reintroduced, go through the committee process again. Remember this when you try to figure the chances for some piece of legislation you are interested in.

Committee makeups will be different. The difference will go beyond the Democratic-Republican divisions of the past few years. Democrats now will hold bigger majorities on most major committees.

Take Senate Finance, still headed by Byrd of Virginia. This committee has been divided 8-to-7—eight Democrats, seven Republicans.

Casualties are high on the GOP side. Three sitting Republicans did not stand for reelection. A fourth was defeated. Prospect now is that you will get a 10-to-5 committee, or possibly a 9-to-6 committee. Either way, conservative Sen. Byrd is weakened. The prospect is that Byrd no longer will control the committee.

Such changes will run through many committees, House and Senate. The thing to keep in mind is that the replacements, from the Democratic side, will lean toward the left. Many a House or Senate committee that has been either conservative or neutral in the past, now will be pushed to the "liberal" side.

—•—

How will Eisenhower handle this Congress? The question comes in from all sides. The answer is not yet clear.

Some advice is "get tough," fight the Democrats all the way, and make it clear that inflation, if it does develop, is the result of legislation. Nixon is said to like this approach.

But Eisenhower doesn't go for this. He doesn't like the idea of a real battle for 1960. He will remain on his moderate course. He will use his veto on the Democrats, and deplore the drift toward inflation.



Silk screened in 3 colors by Allied Decals, Inc., Cleveland, Ohio for The Hotstream Heater Company on Fasson 12 mil chrome unembossed 1A-201 material.

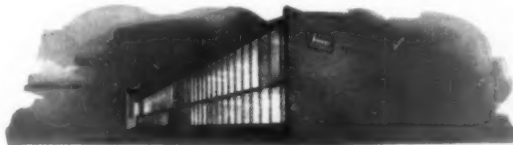
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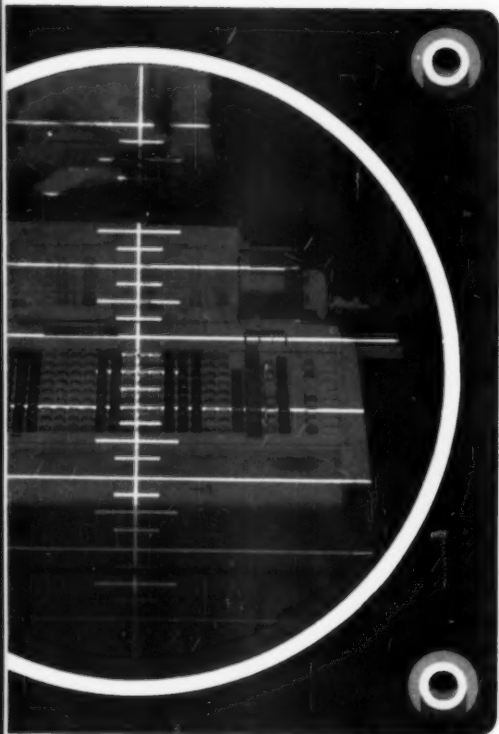
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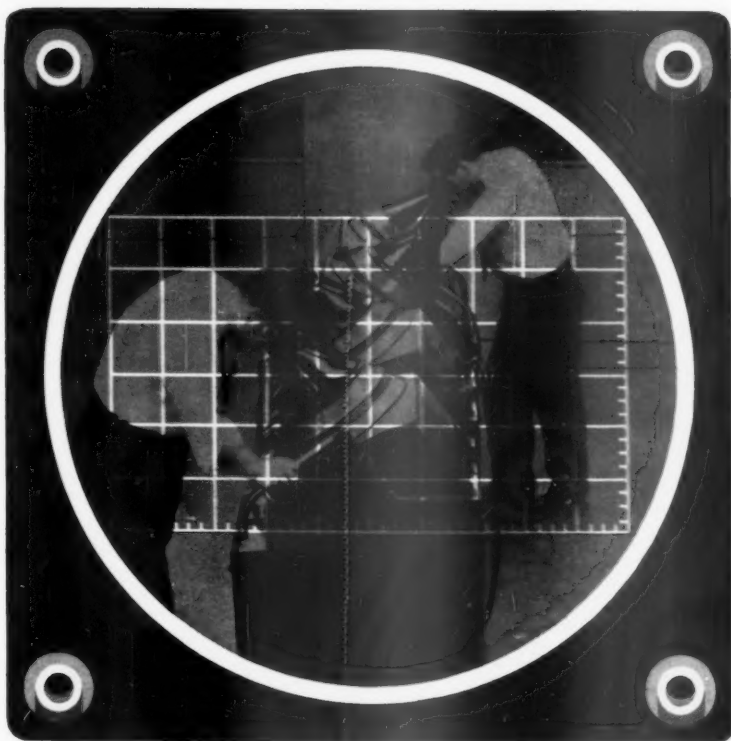
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- Electronic computation systems—\$35,000 to \$1,000,000.
- Electronic systems for continental defense and missile guidance.
- Electrostatic ultra high speed recording under development for the U.S. Army Signal Corps.



The Judge makes a bold decision

After spending over twenty years in judicial robes and the most conservative street attire, the judge has suddenly made the bold decision to blossom out in a scarlet dinner jacket of silk shantung. And that suggests several *obiter dicta*, to wit: Even the most dignified citizens are responsive to advertising and publicity on what the well-dressed man is wearing. Nothing is so powerful in communicating new ideas as the *printed page*.

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MANAGEMENT

Ship Subsidies Bump the Ceiling

Widening gap between costs of domestic and foreign shipyards may force U.S. to raise its 50% maximum construction subsidy.

As the world shipbuilding market softens, the U.S. government finds itself picking up a bigger and bigger share of the cost of building vessels at home. The Federal Maritime Board this week bumped square on the ceiling of the 50% statutory maximum—established in the 1936 Merchant Marine Act—that it can pay out in construction subsidies when it tentatively O.K.'d a 48.4% subsidy. It is the highest construction subsidy ever awarded.

Seeking the top allowable subsidy, and then some, was Lykes Bros. Steamship Co. for four new cargo ships it will build at a cost of around \$9.1-million each—of which the government will pay around \$4.4-million. Lykes thought the government should pay 55% of the cost of the new ships. The government couldn't go this high. Shipowners, however, have let it be known that they will go to Congress this coming year to try to get the ceiling hiked.

Under the construction program, the government pays the difference between the cost of building a ship in U.S. shipyards and what a foreign yard charges. It is done to keep domestic shipbuilding capacity in being and an American merchant fleet on the seas for national defense. The government's share has been steadily creeping up. In 1955, the subsidy averaged about 42% of the cost of a new ship. By last year, it had climbed to 45%.

• **Two Precedents**—In making the bid for the highest regular construction subsidy ever paid, Lykes set another precedent. It turned from the traditionally low-cost European shipyards to Japanese yards as a cost basis for figuring the subsidy differential. Up to now, West Germany and the Netherlands were the world's cheapest shipbuilders.

The reason for the switch was purely economic. Japanese yards are feeling the downturn in shipbuilding worse than European yards, and are cutting prices. A couple of years ago, the Suez Canal crisis sparked a rush for new ships, and shipyards the world over were jammed. Since then, orders have dwindled, and the shipbuilding industry has been in the doldrums.

• **Rise and Decline**—The Japanese yards, greatly expanded since World War II, have been building faster than

other shipyards. Last year, they delivered almost twice as much tonnage as their nearest competitor (table). Now, with only one to two years of work lined up, the yards are whacking prices.

As far back as last spring, the Japanese yards were quoting prices anywhere from 20% to 40% below European yards. European shipyards still have close to two or three years of work backed up, but they also are feeling the shipbuilding downturn. So far, they are holding the line on prices.

Japanese yards, for example, are willing to quote a fixed price on construction. Generally, the European yards are sticking to escalation prices that cover cost increases.

• **U.S. Outlook**—Although private U.S. shipyards are badly hurt by the downturn, they still have the best long-range shipbuilding outlook in their history. They expect to be awarded \$4-billion in new work over the next 15 years. The optimism stems from the fact that subsidized ship operators are obligated to replace approximately 300 cargo ships with new modern tonnage during this period.

Yards currently have \$280-million in

work generated under this program. As of Oct. 1, they were building or had orders for 95 vessels—including major conversions—valued at over \$1-billion. The government hopes to have about 20 new ships started a year. That program won't keep the 10 or 12 major yards building at the pace they set in the past couple of years, but it is the best building program in history.

• **Crosscurrents**—In contrast with this outlook, foreign yards are starting to dip. As a result, the U.S. government is caught in the crosscurrents in the matter of paying cost differentials.

Labor is the big price difference between American and foreign ship construction; materials run pretty much on a par. Estimates are that it costs about \$500 a ton to build a cargo vessel in Japan. A comparable ship built in the U.S. runs \$900 to \$1,000 a ton.

In Japan, the average hourly wage rate for shipyard workers is about 35¢. German and Dutch yards pay about 60¢, with British yards going up to around 90¢. In the U.S., it ranges from around \$2.50 to \$2.90 an hour.

Generally, the cost of building ships in the U.S. is split 50-50 between labor

Merchant Ship Construction in Major Shipbuilding Countries

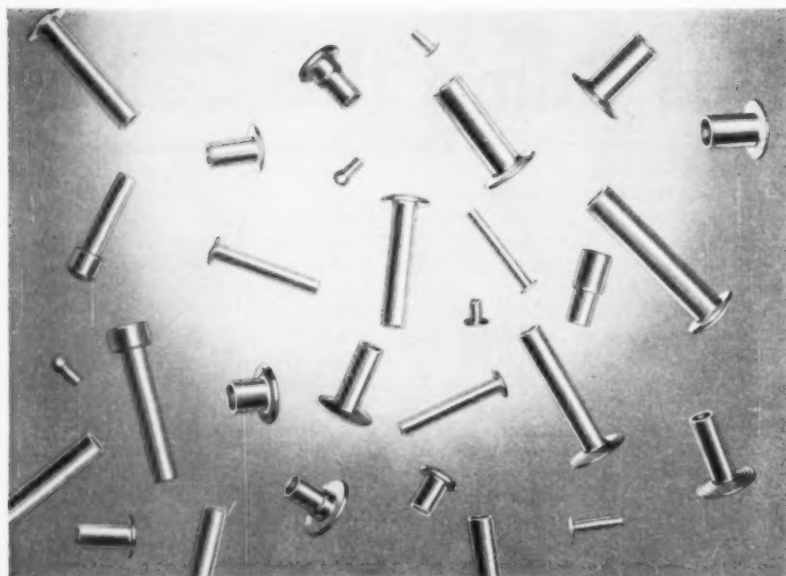
Completed June 30, 1957- Under Construction or on
June 30, 1958 order as of June 30, 1958

COUNTRY	NUMBER	DEADWEIGHT*	NUMBER	DEADWEIGHT*
JAPAN	184	3,364	245	7,390
UNITED KINGDOM	155	1,832	435	8,059
GERMANY	164	1,759	431	7,612
SWEDEN	59	962	228	5,441
ITALY	40	694	110	2,486
NETHERLANDS ...	49	635	169	3,337
FRANCE	39	565	119	2,837
UNITED STATES ...	15	457	83	2,788
NORWAY	24	268	128	2,580
DENMARK	21	262	78	1,467
ALL OTHER**	77	627	377	4,513

*Tonnage in thousands.

**Includes available information from Iron Curtain countries.

Data: Maritime Administration.



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and materials. In foreign yards, the ratio runs closer to 85% for materials and 15% for labor. Shipbuilding steel in Japan, for example, costs \$160 a ton—about the same as in the U.S.

- **Strong Lobby**—U.S. yards expect to complete most of the tanker building by around 1961, with only cargo ship construction as their main market. In the interim, it is likely that the spread between U.S. and foreign construction costs will grow even wider.

Boeing's Appeal

Aircraft maker's case involves the biggest postwar renegotiation refund to reach the U. S. Tax Court.

For the past couple of weeks, the attention of defense producers has been on the U. S. Tax Court in Seattle, where Boeing Airplane Co. is appealing a renegotiation board ruling on excessive profits.

The trial, which just ended, is the most direct attack on renegotiation brought to court since World War II. For both industry and government, the case puts into the sharpest public focus ever the fundamental issues of the controversial post-Korea Renegotiation Act.

Boeing's case involves the largest postwar renegotiation refund appealed in the Tax Court. It comes also in a new climate of sympathy—in Congress and elsewhere—for liberalizing renegotiation.

- **Test Case**—Basically, Boeing isn't appealing the provisions of the law. Instead, its case is against the way the board has applied the vague standards of the law to specific company situations. Boeing's case is a test for the entire aircraft industry, which has appeals before the Tax Court on renegotiation board findings—covering several years—that \$50-million or more of profits, before taxes, were excessive. Actually, Boeing and the other companies have paid taxes on these earnings; so that any recovery from the Treasury would be substantially less than the amount of profits that are adjudged excessive.

- **Heavy Backlog**—Boeing's appeal is on the renegotiation board's finding based on the company's profits for 1952—the first big military spending year of the Korean War. The board's backlog is so heavy that it takes about three years to process a given year's profits. Then it takes at least a year to take its findings to the Tax Court on appeal from the board's ruling. The board is now working its way into its 1956 case backlog.

In its seven years of operations, the board has made determinations of a



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dependable action and long wear. (Made by Wollensak Optical Co., Chicago, Illinois; parts molded by Thorgren Tool and Molding Co., Inc., Valparaiso, Indiana.)

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Rockwell Report

by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company



IN MOST COMPANIES, perhaps, more management attention is given to ways of eliminating waste in making and selling a product than to eliminating waste in delivering that product. Maybe that is one reason why transportation costs are an almost universal problem in industry. At the same time they present an excellent opportunity to effect worthwhile savings through alert supervision and ingenuity.

This is especially true in a multi-plant company when shipments are made by many individuals working under a variety of conditions.

One tool which we have found helpful in cutting transportation costs—and at the same time standardizing company traffic procedures—is a simple, inexpensive form of communication which we call a Traffic News Letter. It is published bi-monthly for the general managers and traffic men at all of our plants, as well as for headquarters staff personnel. It is brief, usually two pages, and edited to adhere strictly to its function: "To keep traffic people informed of latest transportation developments as they affect us, and to present such other information as will help us get the most transportation for the least money."

For instance, one issue pointed out that certain carriers had eliminated pier delivery charges at the Port of New York. Another item mentioned that if bills of lading indicated separately the weights of skids, pallets, or platforms, the freight forwarder would not assess transportation on them.

The Traffic News Letter also serves to remind our people of transportation facts so well known they are apt to be overlooked or forgotten.

Individual shipment savings as a result of this type of information are, of course, small. But multiplied by thousands of shipments from many plants, the total becomes very worthwhile—many times the modest cost of the Traffic News Letter.

* * *

Our Delta Power Tool Division is publicly introducing this month a safer, faster, versatile and more accurate 9" radial saw, the "Super 900". It features a full 1-hp motor that develops up to 2-hp under load, and has convenient up-front controls. The Delta "Super 900" was designed primarily for the hobby market, but also has important applications in school workshops and in light industry and construction. It is illustrated in the newly published Delta 88-page power tool catalog.

* * *

The complete line of Rockwell-Nordstrom Valve Regulators is now available with positioners and controllers produced by our subsidiary, Republic Flow Meters Company. The new Rockwell control, which consists of a vector type pressure controller and a feed-back type valve positioner, gives the valve regulator greater sensitivity in controlling downstream gas pressure at the desired point.

* * *

Our subsidiary, Automatic Voting Machine Company, has all of the usual reasons for building the highest possible quality into its product, plus two peculiar to its field. First, its voting machines must be so designed and built that there can be no suspicion that any one so inclined could tamper with the accuracy of the count. Secondly, if a voting machine were to fail on election day, the manufacturer would get a very black eye that would be painfully visible for a long time.

One of a series of informal reports on the operations and growth of the

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for its customers, suppliers, employees, stockholders and other friends



total \$723-million excessive defense contractor profits in 3,202 cases. Refunds to the Treasury have amounted to \$539.4-million after credits were allowed for federal excess profit and corporate taxes. Seventy cases have been appealed to the Tax Court.

I. How the Law Works

Under the law, the government recaptures profits that the independent renegotiation board determines are "excessive." The board's rulings are based on judgment, taking into account generalized factors written into the law—"reasonableness" of the contractor's costs and profits, net worth, efficiency, extent of risk assumed, contribution to the defense effort, "character" of the contractor's business.

• **Law Is Vague**—Defense contractors have long been nettled by the law's vagueness. They complain too that the act is (1) obsolete since current Pentagon procurement regulations on price adjustments provide a control on profit rates; (2) that it blocks efforts to cut costs by confiscating earnings from incentive-type contracts; and (3) that it impedes technological progress by retrieving earnings that contractors would plow back into new facilities.

To the aircraft makers, whose private plant investment is smaller than most other manufacturers who sell to the military, the law has been "used as a broadsword against the industry"—because of its stress on relating company earnings to net worth.

In Boeing's case, the renegotiation board ruled that of Boeing's \$56.7-million gross earnings in 1952, \$46.7-million was "reasonable profit" and \$10-million "excessive." The company's sales that year totaled \$737.5-million.

In its petition to the Tax Court—under present law the last resort of appeal from renegotiation board rulings—Boeing is trying to recover \$2.9-million already paid to the Treasury on the excessive profit determination.

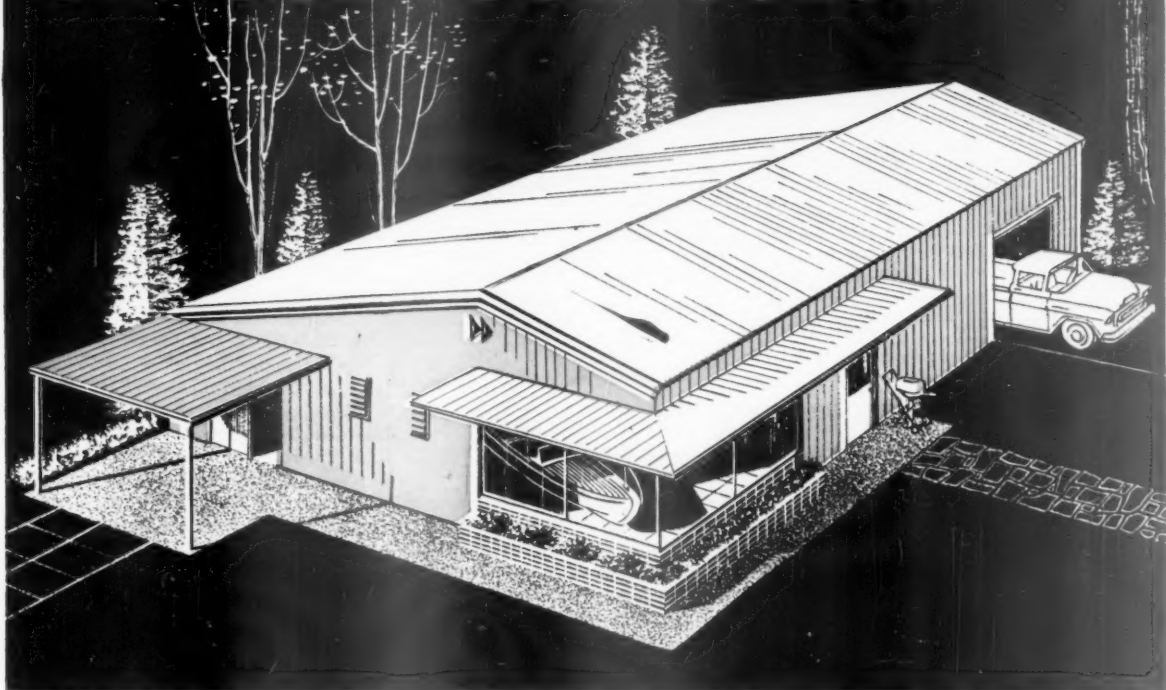
The remainder of the \$10-million was covered by tax credits for the year.

• **More Appeals**—Boeing is also appealing renegotiation refunds totaling \$17.5-million before taxes ordered for the years 1953 and 1954.

In addition, North American Aviation, Inc., has filed a Tax Court appeal on a \$6-million gross refund made to the government for 1953 and \$14-million for 1954. Lockheed Aircraft Corp. is in with an appeal on a \$6-million gross renegotiation refund for 1953. Grumman Aircraft Engineering Corp. has appeals pending on total renegotiation repayments of \$10.5-million before taxes ordered for 1952-54.

• **Uncertainty**—Washington expects it will be about a year before U.S. Tax Court Judge Graydon G. Withey,

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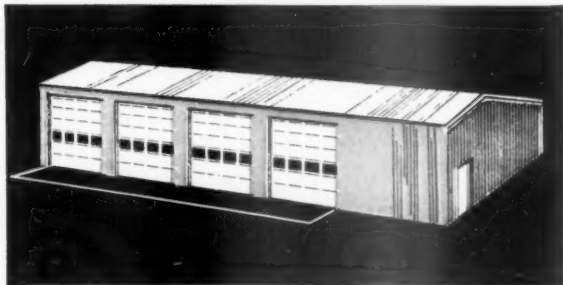


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who heard Boeing's appeal, comes up with a decision. Meanwhile, the aircraft makers fret about uncertainty of their profit outlook and the resulting confusion over plant expansion plans.

In the past, the U.S. Tax Court has upheld about 80% of renegotiation board determinations brought to trial. In some cases, the court has modified the board's rulings—always down, in favor of the contractor.

• **Boeing's Stand**—Boeing's argument stressed that \$5.8-million of its 1952 profits before taxes stemmed from B-47 bomber production under Air Force incentive-type contracts.

Under these procurement deals, the producer's profits are progressively increased when and if he can keep production costs under the contract's initial cost estimates. Profits can rise from 8% before taxes to a maximum of 12% of the price negotiated. In effect, Boeing argued, the renegotiation board penalized the company for its efficiency.

Boeing's attorneys also objected to the board's use of the 1946-49 period, years of low-volume aircraft production, as a base against which to compare company profits in 1952. In addition, they argued, the company's competitive position was hurt by the Air Force's decision to put Douglas and Lockheed into B-47 production, utilizing trade secrets developed by Boeing. This action, said Boeing, should entitle the company to realize a greater profit on defense business than the renegotiation board had allowed.

• **Rebuttal**—Justice Dept. trial attorneys retorted that the forced sharing of Boeing's jet aircraft secrets with competitors was reasonable since the development work was done on military funds.

The government also said that renegotiation board determinations of excessive profits are made, under law, on all company receipts for the year, and that incentive-type contracts are not exempt from the board's rulings.

II. Congress Steps In

While the renegotiation controversy is argued out in court, major attention on the issue will soon shift to Congress, where a full-scale investigation of the Renegotiation Act is now shaping up.

In the rush to adjourn last August, Congress renewed the law for six months (to June, 1959) without taking time for serious consideration of industry proposals to revise the act. The lawmakers laid plans, however, for a major study of the law next year before voting on its extension again. Professional staffers of the Joint Congressional Committee on Internal Revenue will begin informal talks with industry spokesmen next month. Open hearings will probably start a month or two later. **END**



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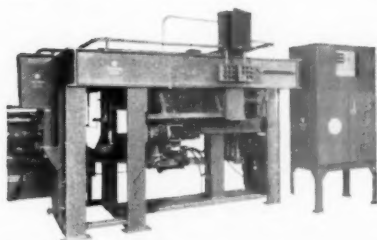
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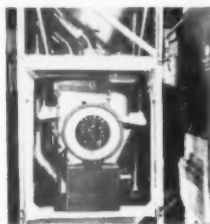


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• • •

Less Mobility Within Management Ranks

Foreseen as Computers Assume Bigger Role

There will be little movement up the ranks in U.S. business 30 years from now. This prediction is made by two business school professors in an article in the current Harvard Business Review. They foresee an increasing gap between top management and other levels of management, with middle management all but disappearing. In addition, they say, most men will stay on the management level at which they enter an organization.

Harold J. Leavitt, industrial administration professor at Carnegie Institute of Technology, and Thomas L. Whisler, associate professor of industrial relations at the University of Chicago, see the new data processing equipment and mathematical formulae for management as the major shapers of the business organization of the 1980s. These developments will cause more and more jobs to be highly structured, they say, separating lower and top management, just as Frederick Taylor's "scientific management" put a distinct line between hourly workers and higher management.

As a result, only a few men in each organization will be left with "creative" functions. These top men "will be forced to think," say the two professors, because few companies "will be able to survive for even a decade without major changes in products, methods, or internal organization." Top management men will come directly from university training, they predict, and will do more moving from company to company than is the practice now. This high turnover may be advantageous, for "innovators can burn out fast."

• • •

Expense Accounts Hold Level This Year

Expense accounts held fairly steady during the recession, according to a survey of some 300 companies conducted by Sales Management magazine. Most of the companies (58%) said total expense accounts this year would about equal 1957; the rest split evenly between those boosting the pay-outs and those cutting down. The cuts, of course, were part of over-all cost-reduction; the increases were part of campaigns to, in the words of one respondent, "see more people to try to get more business."

• • •

Management Briefs

Frederick V. Geier, 65, president of Cincinnati Milling Machine Co. since 1934, is stepping up to chairman and chief executive officer. He replaces Walter W. Tangeman, 67, retiring as boss at the country's largest maker of machine tools. Swan E. Bergstrom, 56, executive v-p, takes over the presidency.

Burlington Industries, Inc., the country's largest textile company, has added to its holdings. It bought 77% of the stock of Sidney Blumenthal & Co., \$20-million-a-year maker of pile fabrics for upholstery and clothes. The stock, costing some \$9-million, came from the Blumenthal & Eugene Meyer families and the investment group headed by Blumenthal's chairman, David Berdon. Burlington is offering to buy the remaining stock.



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Roomy, all-steel body takes big payloads of every description: 120 cleaning bags, 700 1½-lb. loaves of bread in cartons, even 9-ft. rugs. Load area is 66 in. high and wide and 84 in. long for bulky merchandise. Walk-through aisle to driver's compartment adds an extra 28 in. of usable load length.

Parks in tight places, garages in a small space. Short 96-in. wheelbase permits a turning radius of only 17 ft.—less

than the width of a city street. Sliding doors and folding seat for easy deliveries from either side. Big windshield offers excellent visibility.

Economical 4-cylinder engine combines snappy performance with low upkeep. Lightweight, unitized design of chassis and body reduces truck weight to 2800 lbs., assures lasting strength for 1000-lb. payloads. The new Metro-Mite is a smart billboard for your business. It's economy-on-wheels. Stop in to see your INTERNATIONAL Dealer and place your order now!



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Kindly send me free literature on

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**AUDIO-VISUAL AUTOMATION
FOR YOUR SALES FORCE**

Dramatize your sales story with exciting sound and pictures. It's like carrying a color TV commercial in an attaché case.

A COMPLETE SALES PROGRAM

Including a custom-made sound slidefilm

Only \$9.37 per week
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No Capital Investment

Have your secretary write:

**Charles Beseler Company, Dept. BW-11
219 South 18th Street, East Orange, N. J.**

In Money & Credit

• • •

No "Leaks" From Fed, Says Governor

—Prior Reports Are Just Good Guesses

Apparently disturbed by continued reports of "leaks" about Federal Reserve action, Fed Governor J. L. Robertson denied that there were any disclosures. As he saw it, advance reports of Fed moves—particularly changes in the discount rate or in stock margin requirements—are "no more than guesses, couched in terms to imply authenticity." Robertson said that any Fed official "who prematurely divulged anything which had taken place or been decided would be in very bad odor."

• • •

Rival Dallas Banks Both Plan Additions

To Their Capital Through Sale of Stock

The struggle between Dallas' two biggest banks, Republic National and First National (BW—Mar. 9 '57, p101), intensified this week as both banks announced plans to increase their capital by sale of new stock.

At present, Republic seems to be ahead. Its sale of stock will make it first in the area to reach \$100-million in capital funds, against First National's approximately \$65-million. Moreover, Republic has moved out in front in both loans and deposits.

The banks' growth is a further indication that businesses in the area are becoming increasingly independent of New York as a source of funds. According to the Federal Reserve Bank of Dallas, Southwestern banks increased their loans 8% in the last year, while bank loans in other areas were either stable or declining.

• • •

Texas Challenges Constitutionality of Law

Allowing More Than 10% Interest on Loans

Texas Atty. Gen. Will Wilson is challenging the 1956 state law permitting small loan companies to charge more than the 10% constitutional limit on their installment contracts. He is suing three national small loan companies, including Household Finance Corp., the nation's largest.

The companies operate under a "certificate plan" authorized by the Texas Legislature, which, in effect, indirectly allows lenders to charge 10% on a discount basis. On an installment loan, this means a return of about 19% simple interest. The companies will continue operating pending a final court decision.

Since the law was passed in 1956, about 20 companies have opened offices in the state, with about \$50-million in loans outstanding. The law has been challenged twice already and each time upheld in the lower courts. Now Wilson says he will try for a State Supreme Court ruling.

If the law stands up, loan companies plan to expand their operations in the state. But whatever the court decides, agitation is mounting for the repeal of the 10% limit and passage of the uniform small loan act, now in force in 39 states.

Royal McBee is cutting automation down to size



NEW KEYSORT TABULATING PUNCH

**Today's only machine that
automatically code-punches
and tabulates original records**

The new Keysort Tabulating Punch operates on a unique principle. It code-punches quantities and amounts into the body of your original Keysort cards as a by-product of establishing accounting controls. This same machine then automatically processes these proven records through basic accounting functions to the preparation of necessary management reports.

The proven speed and flexibility of Keysort for classification is now coupled with internal code-punching for machine tabulation of original records. This is the Automatic Keysort System . . . a new concept that allows you to proceed in an orderly

and profitable manner toward office automation along with the growth and expansion of your business.

At a rental of less than \$100 a month, this versatile machine is simple to operate and readily adaptable to centralized or decentralized procedures in companies of all sizes. In many important areas of plant control — job costing; labor distribution; inventory; labor, material and production control; sales and order analysis. In retail customer billing. In service organizations and hospitals — in every type of operation requiring fast, accurate data processing.

Call your nearby Royal McBee Data Processing Representative to arrange for a demonstration, or write Royal McBee Corporation, Data Processing Division, Port Chester, N. Y. for illustrated brochure S-565.

ROYAL M^CBEE · *data processing division*
NEW CONCEPTS IN PRACTICAL OFFICE AUTOMATION

The Rich Come Out of Hiding



OPULENCE New York's wealthy don their finest for Metropolitan Opera opening. The accumulation of jewels, furs, costumes is worth several fortunes.

Not long ago, a young woman was driving through a wealthy California town. She passed a real estate office with an advertisement in the window for a castle in Spain—price, \$200,000. "Oh, what fun!" she said. "Let's stop and ask about it. The children would love it."

One of Boston's richest citizens a few weeks ago stopped his chauffeur, who was about to put a pair of shoes in the car. "Where are you going with my shoes?" he asked. "I'm just taking them to be reheelled," the chauffeur replied. "Let me look at them," the Bostonian said. "Ah, just as I thought. I can wear them for several days more."

• **Two Extremes**—These two stories represent two extremes of that tantalizing, exasperating, and rewarding small market of the very rich. For the rich are still with us. They are not the vanishing American. In many ways, they are the multi-hued, diversified market they have always been. They jam the openings of the Metropolitan Opera season in New York in all their splendor (cover and picture, left). They specialize in everything from fancy



RANCHING Vernon Frost, Texas oilman, maintains prize herd of Brahms, also breeds quarter horses. Farms, horse breeding are popular—often self-supporting—hobbies.

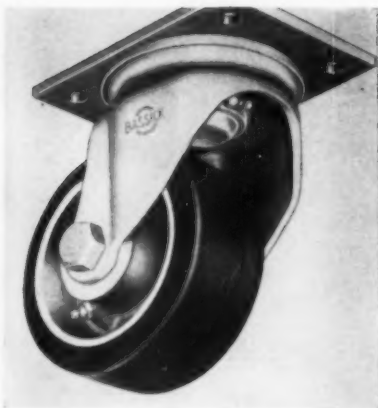
ENTERTAINMENT Cotton broker Daniel Manget displays Southern hospitality (right) in his home in Newnan, Ga. For many, home is a place to entertain.



JEWELRY Customer tries on \$56,500 necklace by Tiffany's Schlumberger. Jewelers report precious gems are up.

ART Collections such as Nathan Cummings' (left) come high. He is one of many business executives who go in for art.





Decentralize for efficiency or centralize for economy?

Johnson & Johnson does both and cuts costs with Bassick Casters

In their new North Brunswick, N. J. plant, Johnson & Johnson management wanted to combine all the cost advantages of centralization with all the efficiency of decentralization. They did it with an unusually complete materials-handling system and a healthy assist from Bassick sealed casters.

A 3600-ft. towline, with Bassick Caster-equipped trucks, links all manufacturing operations to shipping, delivers raw materials, carries away finished products. In the shipping center (below) a clerk at a central board uses additional 2000-ft. towlines to deliver pallet loads to the 12-truck loading docks or to storage. Sealed caster construction cuts maintenance, keeps grease drippings off the floor, insures long life and easy operation.

Materials-handling costs—about 30% of the average manufacturer's production costs, according to the experts—are one cost area open to reduction. Here's where Bassick factory representatives and your Bassick industrial distributor can help you. Call on us. **THE BASSICK COMPANY**, Bridgeport 5, Conn. In Canada: Belleville, Ont. **B.17**



HEAVY-DUTY BASSICK "500" casters used in new J&J plant stand up under grueling power-pulled applications. Fully-sealed bearings keep grease in, dirt, water, debris out.



ANTIQUE CARS owned by Mills Lane, Atlanta banker, are kept in running condition

cattle to high-priced art, from costly guns to midget footballs.

The ancient schism between the old guard and the new still holds. Conservatism is still the characteristic of the old-line wealthy. They dismiss the nouveau riche with a quick sniff—as did the New Orleans resident who described the "period" of a plush new apartment's decor as "contemporary money."

But years of postwar prosperity have brought changes: some obvious, some hardly more than a glimmer.

In many places, a **BUSINESS WEEK** survey of some 20 cities reveals, the gap between the old guard and the new is closing. What San Francisco calls a retreat from pomp is pretty generally the order of the day.

• **The Rich Return**—At the same time, a vital new development appears in the making. The trend is far from universal; in city after city **BUSINESS WEEK**'s scouts found hardly a trace of it. But those who sense it—mainly in New York—call it the most significant change in today's luxury market: The old inhibitions, the taboos on spending, are fading. "The rich have been in hiding for 20 years," sums up T. Robsjohn-Gibbins, noted interior designer. "They are coming out of their holes. And they're having a ball."

Spencer Samuels, president of French & Co., one of the oldest and plushiest of art and antiques dealers, puts the point this way: "The wealthy no longer worry about what people will think if they spend thousands of dollars on a painting. Being rich has lost its stigma."

• **Sound as a Dollar**—Melanie Kahane, interior designer, agrees wholeheartedly. "The wealthy no longer have anything to be defensive about," she says. Income and inheritance taxes thwart hopes of amassing huge fortunes for posterity. If you can't take it with you and can't leave it behind, the only

choice left is to spend and enjoy it. Furthermore, Miss Kahane points out, today's wealth is insecure; its basis is a dollar whose value appears to be steadily waning. So you convert the dollar into goods with a value that is likely to last: fine art, antiques, gems.

This has its risks to be sure. French impressionists and post-impressionists hold sway today; tomorrow some other periods may reign. But such investments look at least as sound as the dollar—and they bring their owners pleasure and prestige, besides.

• **Paradox**—Undoubtedly the postwar mass prosperity has contributed to any change of heart on the spending score. Another great depression might well send the rich into hiding again. Barring such disaster, this sheen the market is beginning to sport promises more glow for those who can polish it.

Two other factors are shifting the direction of the plushiest market:

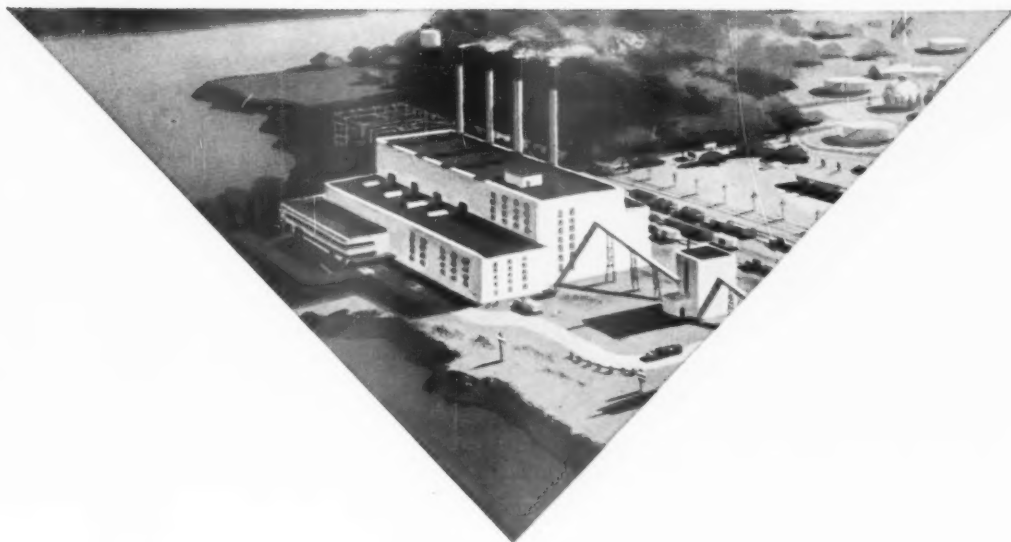
First, the shadow of taxes hangs heavy over all the group. "Everyone is looking for a tax angle," caterers to this market report.

Second, the new money of today is often a long step ahead of the nouveau riche of the past. Tiffany marvels at the knowledge of fine china and silver that even the young rich show. Knowing value, they insist on getting it. Once sure they have it, they may pay through the nose without complaining—or they may shop hard, and bargain hard, to get it.

The result is a kind of paradox: A market that feels freer to spend than it has felt in decades, yet that is far cannier and more practical in its search for its money's worth.

I. How Big?

Statistics on the strength of the cream-of-the-crop consumer are slippery. Income tax returns offer only a partial



MILES OF TUBING FOR ELECTRIC POWER...

CONDENSER TUBES made by PHELPS DODGE



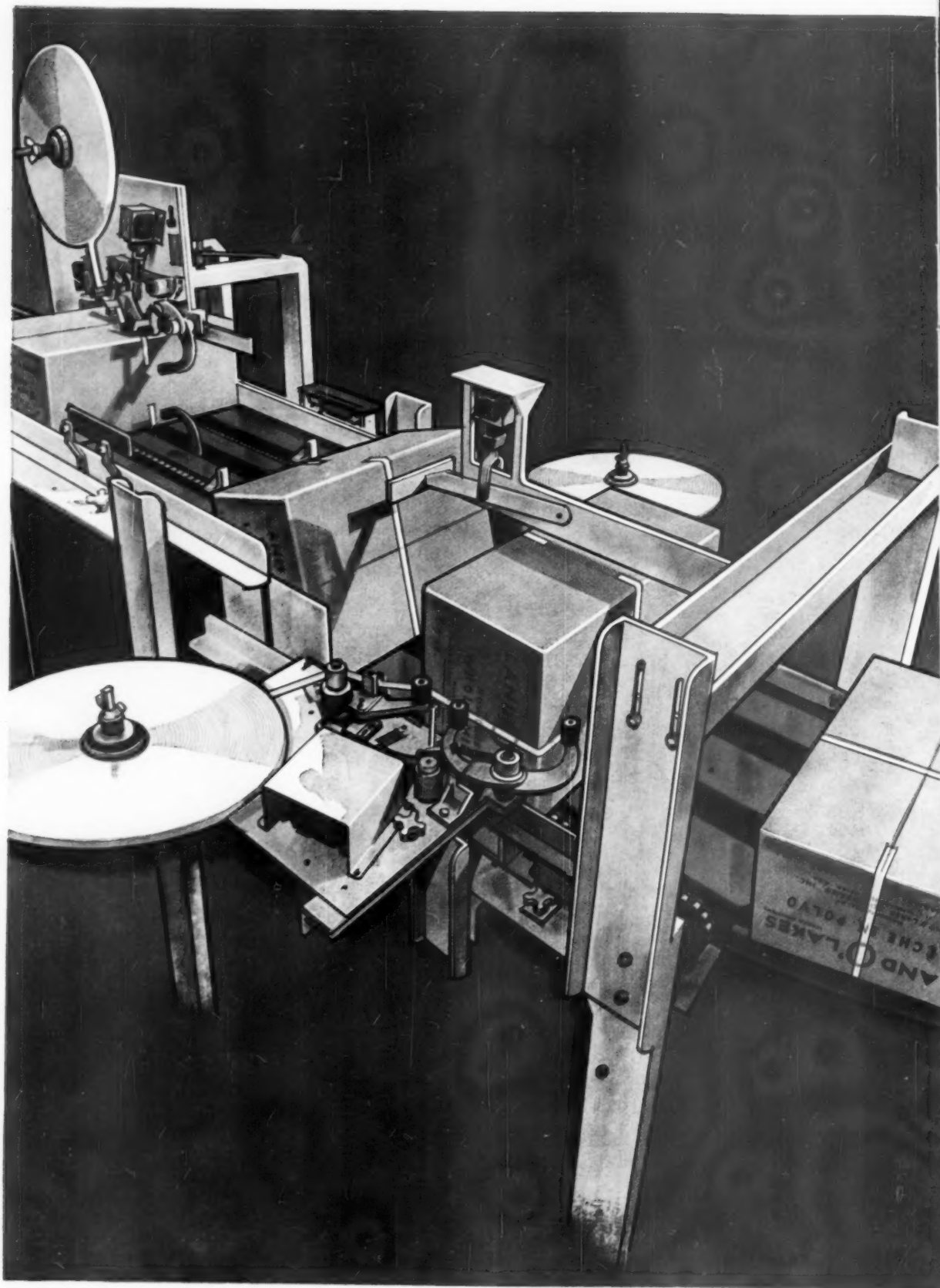
Modern condensers in steam electric generating plants contain as much as 60 miles of copper or copper-alloy tubes. These tubes change exhaust steam to water, a vital step in the electric power-making cycle. Leading electric light and power companies know they can rely on Phelps Dodge condenser tubes for highest grade materials and skillful workmanship.

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FIRST FOR LASTING QUALITY—FROM MINE TO MARKET





"3M-MATIC" taping and dispensing method cuts costs...

Reinforces up to 30 cartons a minute!



Carton Reinforcing Machine
applies four tape strips in seconds.

Reinforcing cartons for overseas shipment is now a completely automatic operation at Land O'Lakes Creameries, Inc., Minneapolis, thanks to "3M-MATIC" taping and dispensing methods.

Result: automatic reinforcing of 12 cartons a minute with super-strong "SCOTCH" BRAND Filament Tape doubled previous production rate. In addition to giving better results, man-hours have been cut to practically zero, and only half as much reinforcing material is used. Production speeds of up to 30 cartons per minute are possible with this "3M-MATIC" system—on almost any size or shape carton.

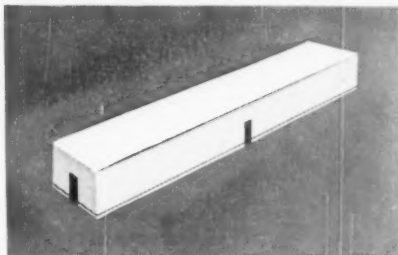
Developing the right combination of tape and application machine was a teamwork operation. Working with Land O'Lakes, 3M's Sales Representative and Customer Engineers recommended the "SCOTCH" BRAND Filament Tape to meet the necessary specification. Then 3M engineered the machine that would apply the tape to the cartons at the production-line speed required by Land O'Lakes.

3M Customer Engineering Service is available to you—to help solve *your* production problems with "SCOTCH" BRAND Pressure-Sensitive Tapes—at no cost or obligation.

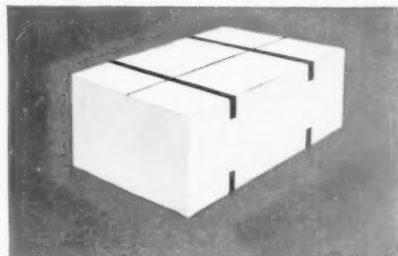
And, when the best "3M-MATIC" combination for your needs has been developed, the industry's largest and best-equipped distributor organization assures you of continuing prompt and dependable service. There's a "SCOTCH" BRAND distributor near you. Call him for further information, or write to Minnesota Mining and Manufacturing Company, St. Paul 6, Minn., Dept. BF-118.

"Scotch" is a registered trademark for the pressure-sensitive adhesive tapes of 3M Co.; St. Paul 6, Minn. Export: 99 Park Ave., New York 16. Canada: London, Ontario.

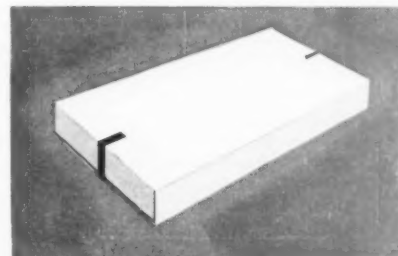
Tapes cartons of most any size or shape...



Full Telescope Cartons



Regular Slotted Cartons



Overlap Slotted Cartons

When tape costs so little, why take less than

REG. U.S. PAT. OFF.
SCOTCH BRAND

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MINNESOTA MINING AND MANUFACTURING COMPANY

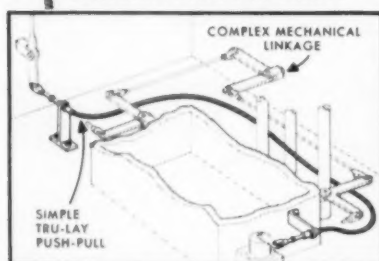
... WHERE RESEARCH IS THE KEY TO TOMORROW



TRU-LAY PUSH-PULL REMOTE CONTROLS make hundreds of products more useful ... more salable

Bulletin DH-461 offered below shows how the Precision Construction of these PUSH-PULLS provides sustained accuracy, lifetime service and improved operating characteristics for literally hundreds of products (ranging from relatively delicate photographic equipment to the roughest and toughest dirt-moving equipment) to make them more useful... more salable.

Here is a picture of
SIMPLICITY vs COMPLEXITY



Tru-Lay Push-Pulls are simple... have only one moving part... provide lifetime service, lifetime accuracy, low overall cost... and they are noiseless. We have never heard of a Tru-Lay Flexible Push-Pull wearing out in normal service.

Mechanical Linkages, as shown dotted in the drawing, are complex, have many parts, many points of wear to create increasing back-lash with loss of accuracy and multiple vibration rattles.

Write for
BULLETIN DH-461

for a clear picture of how the flexibility of Tru-Lay Push-Pull Remote Controls simplifies design and assembly... cuts costs for Engineering and Production.



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clue because many items that make up total wealth or income go unreported, and tax law changes make year-to-year comparisons difficult. But they suggest some general directions.

Between 1948 and 1956 (last year for which breakdowns are available), the number reporting pretax incomes of between \$50,000 and \$100,000 jumped from 57,725 to a record 89,000. Those in the \$100,000-\$500,000 group grew from 15,716 to 22,008—also a record. The much smaller \$500,000-\$1-million category rose substantially, from 415 to 597 (though that was 30 fewer than in 1955). And the exclusive \$1-million-plus group peaked in 1956 at 272.

• **More Well-Heeled**—Robert J. Lampman, of the University of Wisconsin, has made a study, in connection with the National Bureau of Economic Research, of American Top Wealth-Holders. From federal estate tax files, Lampman estimates that in 1953 some 1.6-million people in the U.S. had estates of \$60,000 or more. This was about 1% of the whole population, 1.6% of the adult population. This group held over one-fourth of all personally owned wealth; its average gross estate came to \$182,000.

For some long-term comparisons, Lampman figures that the top 1% of adults held 36.3% of the nation's personal wealth in 1929. This dropped steadily, to a low of 20.8% in 1949. Then it reversed, rose to 23.1% in 1953. The reversal jibes with Federal Reserve Board estimates, on a quite different basis. FRB found that the share of total money income held by the top tenth of U.S. families inched up from 29% in 1954 to 31% in 1956. But last year the top tenth's share slid back again to 29%.

Such data are not particularly conclusive, and they underscore the relative smallness of this market. What they do tell us is that the top wealth of the nation is holding its own numerically. What does it go for?

II. Cabbages or Kings

In some places, as our Boston millionaire indicates, the answer seems to be, practically nothing. The thrifty Milwaukeean, who consistently socks his wealth away in a safe deposit box, is the despair of those who would like to cater to him. The wealthy in Charlotte, N. C., have large homes, well equipped, and they keep their shrubbery pruned. But here, as in many cities, for the old guard, and often for the new, the big spending goes to charity and community projects. Cleveland goes in for gentlemanly pursuits and cultural niceties.

The passion for inconspicuousness holds back those newer to the green

pastures. In New Orleans, the newly rich have to follow the old, conservative wealth or risk a social snubbing. Chicago reports a long-range shift from conspicuous to inconspicuous consumption. In Philadelphia, the new guard reads the high-style fashion magazines, listens earnestly to the advice of the antiques dealer to forestall any faux pas. Even Texas is getting more conservative all the time; it could turn up only one recent case of gold-plated faucets. The new rich aren't afraid of spending, but they are afraid of being in bad taste, says a spokesman of Tiffany & Co.

• **It's Still Prestige**—For several reasons, the new money usually has more importance than the old to the marketer. The young rich have wants that the elders have long since satisfied. Their conservatism hasn't yet caught up with that of the old guard. And the really old guard is dying out, as some that have served it for generations acknowledge sadly.

Basically, says Robsjohn-Gibbings, the wealthy want what they always wanted: the prestige of exclusiveness, something a little different or better than their neighbors. Quality, value, individuality, these are the essentials. And, inhibited or not, the rich are paying out astonishing amounts to get what they want.

• **Art Is Long**—From coast to coast, art stands high among the favorites right now. In Chicago, Nathan Cummings (picture, page 59), chairman of the board of Consolidated Foods Corp., has an outstanding collection in his home—75 paintings he calls good, and 200 "for fun." He considers Gauguin's Sunflowers his most important painting, and took three trips to Europe last year to add to his collection.

Says a wealthy St. Louisan, "Having a Renoir or a Picasso in your living room today is more important than owning two Cadillacs." In Los Angeles, both Edward Carter, president of Broadway-Hale Stores, and Norton Simon, chairman of Hunt Foods & Industries, collect Dutch masters. Old masters are a drug on the market in Philadelphia, but early Americana is scarce, and prices are rocketing. Atlanta, too, has its specialists in American art. Seattle finds a market for contemporary and Oriental.

• **Gracious Living**—Homes, often second and third homes, are a prime target of spending everywhere though they are no longer the baronial mansions of the last century. Selling lush houses is no problem in Cincinnati. And while most places find that new homes are simple, livable, with emphasis on ease of maintenance, they can cost plenty. Such is one \$400,000 home going up in San Francisco with 10 bathrooms. The new home of Robert P. McCulloch, president of McCulloch Motors



A railroad with its own news service

You know how the great national news services operate: From all over the world their correspondents wire in the news as it happens. The central office edits the news and in minutes the teletypes are chattering it in newspaper offices across the country.

Chesapeake and Ohio has a similar system of its own. Movement of every car on C&O is wired at once to the Car Location Information Center

(CLIC for short). Then intricate electronic equipment processes the information and the location of each car is on the teletypes of the C&O Traffic Offices nearest to the shipment's origin and destination.

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Would you like a copy of a booklet describing CLIC? Just write:

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SHIP C & O . . . AND WATCH IT GO!

RUGGED, LOW COST, AIR-POWERED WORK BRING PRACTICAL AUTOMATION

Any plant, big or little, is made up of "small plants" or separate manufacturing centers. Often these separate centers may consist of only a single machine or operation. Sometimes they cover a group of related operations.

For most plants overall automation is usually out of the question, but every plant can "SPOT-AUTOMATE" these separate manufacturing centers with Bellows "Controlled-Air-Power" Work Units.

These unique power devices turn hand operated or controlled machines into automatic production units; they operate and control hoppers, conveyors, ejector devices, valves, etc.; they provide the power source

for fast, safe, inexpensive assembly devices; they are the principal components in an unlimited number of shop-built, special purpose machines.

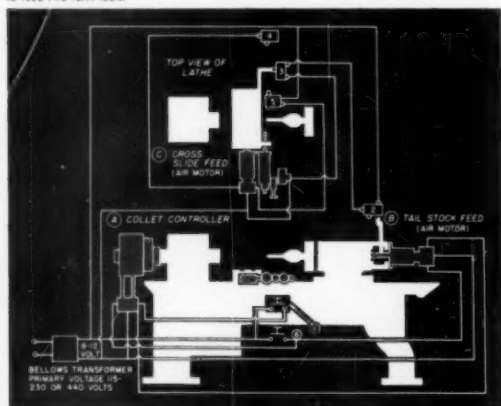
Each work unit is designed for a specific function: rotary or linear work feeders, work clamping and holding devices, rack and gear power feeds, light and heavy duty drill units, hydraulically controlled air cylinders. Each is a complete package in itself with all controls built-in, but all are designed for easy interlock with each other.

Bellows air-powered work units and Bellows "SPOT-A-MATION IDEAS" will give you an entirely new conception of the cost saving possibilities of air power.

SPOT A MATION IDEA L-1

CONVERTING A LATHE WITH BELLOW'S "CONTROLLED-AIR-POWER" DEVICES

Typical Application of Bellows "Controlled-Air-Power" Devices on a standard lathe to (1) Automatically Close Collet, (2) Feed Tail Stock equipped with Drilling Tool and (3) operate cross slide to feed two form tools.



SEQUENCE OF OPERATION

Operator loads work piece into standard Lathe Collet and depresses start switch (1) which energizes Electroair Valve of Collet Controller (A), clamping work piece. Start Switch (1) simultaneously energizes Advance Solenoid of Air Motor (B) bringing Tail Stock and Drilling Tool into work piece completing one operation.

As Tail Stock reaches fully advanced position, trip dog of Air Motor (B) actuates switch (2) breaking hold circuit to "Stop Valve Control" of Cross Slide Feed (C) through switch (3) releasing Cross Slide to advance one form tool.

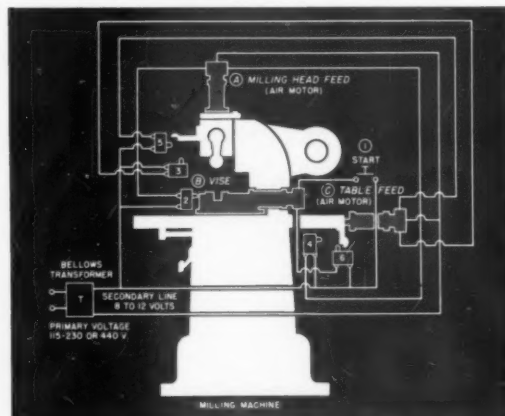
(Air Motor (C) is held at mid-point of Cross Slide travel by the "Stop Valve Control" on the Bellows HydroCheck. This stop action is accomplished elec-

The Bellows Co.
ARLON 9, OHIO

SPOT A MATION IDEA MM-1

SEMI-AUTOMATIC OPERATION OF MILLING MACHINE

Typical Milling Machine Application of Bellows "Controlled-Air-Power" Devices to (1) Clamp Work Piece, (2) Feed Milling Head, and (3) Feed Milling Machine Table through the cutting cycle.



SEQUENCE OF OPERATION

Operator loads work piece into jaws of Bellows CVEH-50 Electrically Controlled Air Vise, which have been machined to contour of work piece, and depresses button of Start Switch (1) clamping the piece in position.

The Vise Jaws close and trip normally open Switch (2) energizing the "Advance" Solenoid of Air Motor (A) which lowers the milling head and cutter into work position. When the milling head reaches fully advanced position Switch (3) is actuated, energizing advance solenoid of Air Motor (C) placing the milling table in motion.

Air Motor (C) advances, feeding the table through the cutting cycle, until Switch (4) is actuated. At this

The Bellows Co.
ARLON 9, OHIO

UNITS WITH BUILT-IN CONTROLS TO PLANTS BOTH LARGE AND SMALL



With built-in electrical operating controls*, built-in four-way directional valve, built-in two-way piston rod speed controls—and requiring only a single air connection—this unique air cylinder is the power source for Bellows integrated work units.

These "Spot-A-Mation Ideas" Can Point The Way To Important Cost Savings In Your Plant

Bellows "SPOT-A-MATION IDEAS" give you easy-to-follow drawings, wiring diagrams, operational sequence and list of equipment required to convert drill presses, milling machines, lathes, arbor presses, etc., to automatic units; show how to automate wood working equipment; how to simplify conveyor operation; how to build inexpensive assembly devices; show unique special purpose shop-built multiple drilling machines and other special metal, woodworking and plastic fabricating equipment.

They are free, on request. Write Dept. BW-1158, The Bellows Co., Akron 9, Ohio for this new SPOT-A-MATION IDEA FILE. If you have a specific operation you would like to SPOT-AUTOMATE, our Bellows Field Engineer Staff will be happy to work with you.

1220-B

*Controls may be 8-12 volt, explosion-proof, or 115 volt to JIC Standards. Option pneumatically or manually operated controls also available.

The Bellows Co.

DIVISION OF INTERNATIONAL BASIC ECONOMY CORPORATION

AKRON 9, OHIO



**"I've grown disgusted
with your face"**

... a sentiment smouldering ever since the old double desk was acquired. Once a space-saver, now an antique depriving potentially valuable girls of privacy for work and productive thought.

Then along came

the Invincible Man *with the office plan*

... just in time! With a "customized" modular layout of standard Invincible Modernettes to turn the space into a center of happy efficiency. To each her own desk, work area, and a feeling of individuality.

For any space or personnel requirement — in general, executive or professional office — the Invincible Man can quickly plan astonishing new beauty and convenience, with a choice from Invincible's truly complete line.

** Not really wearing shining armor, the Invincible Man is nevertheless a doer of great deeds. Call on him for periodic office planning check ups.*



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City.....
Zone..... State.....

IN CANADA: A. R. Davey Co., Ltd.,
1162 Caledonia Road, Toronto 10

Corp., of Los Angeles, reportedly cost \$750,000. It has recessed tennis courts that are cooled in summer and radiant-heated in winter. Palm Springs, Calif., lures second-home buyers from as far away as Seattle and Omaha.

Detroit is mad for islands, lawyers there report—in the West Indies, Hawaii, New Zealand. One Detroitier, who owns a new Plymouth and a three-year-old Ford, has just laid out \$192,000 for an island. Wealthy Seattle has nearly cleaned the barrel of San Juan Islands in Puget Sound.

Around Richmond, Va., some are buying and restoring old plantations—sparked partly by the example of nearby Williamsburg. Matilda Gray of New Orleans has put a fortune of oil money into the restoration of that city's French Quarter. Granger Hansell, Atlantan lawyer, is remodeling the old family plantation, going to Europe for costly antiques to recapture its splendor. In New York and St. Louis, there's a trend to super de luxe apartments.

• **Local Trends**—Each region has its specialty. Kentucky's, of course, is the famous racing stables—often absentee-owned—where overhead may well run over \$300,000 a year. Texas has its ranches: R. E. Smith, Houston oil multimillionaire, owns eight, but seven don't count because they pay their way. The eighth is where Smith plays. This one is famous for its barbecues; Smith has said he barbecues an average 800 lb. of beef for such visiting firemen as the King and Queen of Greece and Roy Rogers. Another is the Vernon Frost ranch, with one of the finest herds of Brahman cattle in the world.

Travel has become big-time stuff. A Cleveland lumber executive says the only thing that distinguishes him from his customers is his ability to go where he wants when he wants to. A St. Louisan says, "You're nobody if you haven't gone to Europe." Tulsa just had its biggest round-the-world cruise season ever. Russia, the Orient, even African safaris are pulling.

• **Old Friends**—Old-time favorites such as furs and jewelry are holding up well most places, though big spending on jewelry today is "peanuts" to what it once was, a Detroit jeweler reports. Furs get the lion's share of the market in Philadelphia. Miami, a born show place, is as enthusiastic as ever about good jewels, fur coats up to \$25,000. New York jewelers Harry Winston, Van Cleef & Arpels, and Tiffany all report sales are up considerably over a year ago. A San Francisco jeweler says he can't buy enough large stones.

Cars are still popular, but the luxury car is yielding to the sports car, racing cars, and antiques. Chicago has an active chapter of the Antique Automobile Club of America; a beat-up Stanley Steamer recently brought \$8,000, and

Trailers Put Them There...



Trailers Keep Them Going!



The average new car contains some 13,000 individual parts. The manufacture and assembly of these are expedited, from start to finish, by highway shipment—of materials, parts, sub-assemblies, and accessories. Finally, the finished automobile itself is usually delivered to the showroom by auto-haulaway Trailer.

Nearly every type of manufacturing business in America utilizes Trucks and Trailers for the swift conduct of its production and distribution procedures. None, however, is more dependent on Motor Transport than the automotive industry—in *all* its phases. The steel, the cloth, the glass, the paint, and all the other basic materials in the modern car move part or all of the way from sup-

plier to plant by Trailer. Motor blocks, frames, gears, brakes, steering assemblies, and countless other parts move from plant to plant by Trailer. The Trailer is an integral part of the automotive production line—its role in putting the 1959 automobile on the road is practically indispensable.

Even after an automobile is on the road, the role of the Truck-Trailer is by no means over. It delivers the gasoline needed by local service stations, the parts stocked by neighborhood repair shops, the batteries and antifreeze and replacement tires sold by thousands of small outlets across the nation. The Trailer is of endless service to every motorist, of constant use to every business. It is part of the American way of shipping, driving, and living.

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other old-timers go as high as \$15,000. Rolls-Royces are selling at a 15-a-month clip in California, though most cities find a Cadillac or Buick will do. One Miamian bought \$40,000 worth of sports cars in five months.

The private railroad car is almost extinct—except those owned by companies, for business use. Today, planes are the thing in a number of cities—those you fly yourself or, better yet, those you hire your own pilot for. H. Earl Smalley, Jr., wealthy sportsman, wants to set up an aero country club to get more mileage out of his two planes. It costs him \$24 an hour to run his Piper Apache; he figures if he flew it more he could get the cost down to \$18. Phoenix's William T. Waggoner, head of Waggoner Petroleum, makes a hobby of hydroplane racing.

• **Fashion Mirror**—On fashion, the picture is mixed. Most agree that the debutante daughter comes in for her share of finery; her fall wardrobe may go to \$3,000 while mother picks up an item or two for \$300. Old and young are fashion-conscious as never before, reports Revillon Freres, New York furrier. Men will skimp on their own wardrobes first, says New York's A. Sulka & Co.—where you can buy a vicuna robe for \$750, pajamas at \$90 or so. But though Sulka's president, Peter J. Lynch, laments the American man's indifference to correct wear, he reports more new accounts this past year than last. In San Francisco, too, men's custom wear is picking up. Knize, Viennese shop whose custom-tailored business suits start at \$250, is just opening a new store in Palm Beach. Boston's old guard couldn't care less; women wear the same classic tweed to the symphony year after year.

• **High Life**—Entertainment comes simpler than in the old days. But daughters get the breaks come coming-out time. During Mardi Gras, a coming-out party may set papa back some \$15,000 in socially conscious New Orleans. Miami—which stands out on most counts as a city of lavish spending—is still talking about the surprise party Mrs. Samuel Friedland gave her husband two years ago, for a reported cost of \$40,000 to \$50,000.

Los Angeles has several gourmet societies. To open the 1958 winter season, three members of the Beverly Hills Wine & Food Society flew over two French chefs from Maxim's plus 1,900 lb. of the chefs' special pans, knives, and the like—and 550 Baccarat wine glasses, to serve a meal valued at \$300 a plate.

III. What's New?

It isn't what they buy but how they buy it that shows the difference in today's market.

Boating still claims many adherents. Custom-built yachts boomed during the early postwar years, but now they are tapering off to "normal," reports Sparkman & Stephens, New York designer who designed the Columbia. In Miami, boating is a \$50-million-a-year business. San Francisco claims one \$750,000 yacht; Seattle has some very plush ones.

But there's a difference. The giant yacht of the past is dead. A man would need an income of \$5-million to keep a boat such as J. P. Morgan's Corsair running, says Drake Sparkman. The trend is to smaller jobs: the 40-ft. to 60-ft. yacht as against the 100-footer. Even a 30-ft custom-built boat would start at \$25,000; a big one would run to hundreds of thousands.

But the big difference is that today the owner is far more likely to do his own sailing. Says Sparkman, "In the old days, a yacht might very well have a paid crew of 30; today I don't know of one with more than 12." He feels this is not just a matter of economy, though a crew comes high. Mostly, they just like to sail. Norton Simon, for one, could afford a big yacht; he prefers a smaller one he can handle himself. As everyone gets into boating, the social prestige disappears. The yacht club set has faded with the yacht club; the public marina is taking its place.

• **Investment-Minded**—The tax angle works strongly for certain markets. It partly explains the flurry over land in the Caribbean, where inheritance taxes are still unknown, says Previews, Inc., international real estate concern. It explains much of the enthusiasm for fine art. An owner can give a painting to a museum, get a fat deduction, and keep the picture for most of his life (BW—Jul.20'57,p161). So art buyers are asking dealers, "Is that good enough for a museum?"

The search for a sound investment takes some to rare manuscripts. A Chicagoan observes that many people are using very expensive books as a way to tie up a lot of capital in small, portable objects as a hedge against taxes. Diamonds may be a girl's best friend, says a New Orleansian, but they are a matron's best investment against a rainy day.

• **Bargain Hunters**—The bargain hunt is on everywhere. Home decorating is booming, says Pittsburgh, but clients require an itemized list of outlays. Even on a \$160,000 house, they'll cut costs to keep in the budget. Miami residents will gladly pay \$15,000 to \$30,000 for good jewels from an estate—because they know they have a bargain. A San Francisco employment agency says the wealthy quibble more over a maid's wages than does the upper-middle-income. Milwaukee finds that the richer they are, the tighter they are. A car dealer of that city says 40% of

Worry —but Work!

When the first Soviet satellite was fired into orbit, many anxious glances were suddenly directed at America's technological ability and progress. Yet today, as a result of our own primer occasions into Space, the old bugaboo of complacency tends to infect us again.

America must still worry. But above all, we must work! This means vigorous, unending work, with emphasis in two demanding areas. One—coordinated effort between our industrial, scientific and military men to speed progress. The other, genuine action to appreciate our technical community with better salaries, more recognition and a fast overhaul of our academic curricula.

Here at Hewlett-Packard, our part of the nation's new work load is to continue to create, faster than ever, the new electronic tools future breakthroughs will require. To this end, we're increasing our scholarship program, hiring more engineers, speeding both research and production. And, during 1958, we have developed 30 totally new, advanced electronic instruments.

This is the most significant group of new electronic instruments our Company has ever brought into being at any one time. It shows what work can do, and it is only the beginning.

Satellite tracker: Hewlett-Packard electronic counters, digital recorders and oscilloscopes chart in-orbit performance of satellites, among many other scientific, defense and industrial jobs.



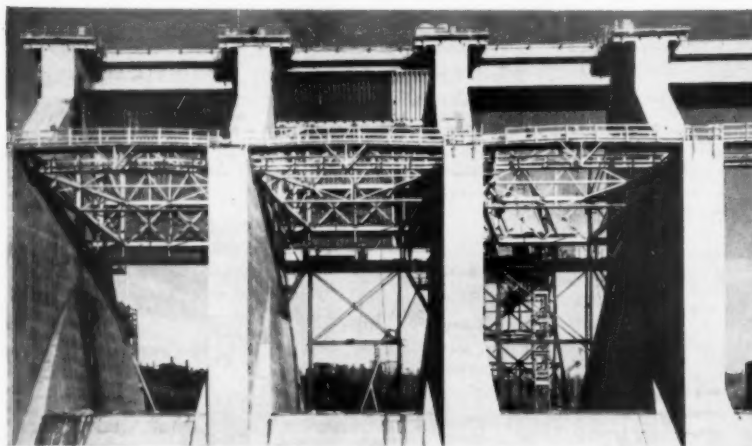
*World leader in electronic
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HEWLETT-PACKARD COMPANY

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Photo courtesy Stanford Research Institute.



Yuba completing \$4,000,000 Ice Harbor Dam contract — 540,000 kw. of electricity will soon flow to the power-hungry Northwest from this huge project on the Snake River in Washington. Many of its key steel-fabricated products were supplied by Yuba Manufacturing Division. They include: intake, sluice and radial gates (above); trash racks; draft tube, traverse and intake bulkheads. And as usual with Yuba, they were delivered on schedule — as needed, when needed.



Yuba spans Glen Canyon with the world's highest arch bridge — In Northern Arizona, Yuba's subsidiary, Judson Pacific-Murphy — in joint venture with Peter Kiewit Sons Co. — recently set the closing chord in the arch built for the Bureau of Reclamation. This unusually difficult engineering feat was accomplished months ahead of schedule. The Yuba crew will soon begin steel work on the much publicized Glen Canyon Dam.

Another Yuba first: an electronic resolver — Pictured here is the prototype of an electronic resolver developed by Yuba Systems Division. Based on an entirely new principle, the resolver electronically computes the trigonometric functions of angle sines and cosines — in conjunction with analog computers and radar. Its applications include radar fire control and navigation.



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"... the demand of 10 years ago for costly rusticity is giving way to elegance ..."

STORY starts on p. 58

his upper-bracket customers buy cars on time.

• **New Symbols of Success**—It is against this background of hard-headed buying that one looks for clues to the new freedom and gaiety in spending. The clues may be slight, but those that point to them find them of top significance.

A recent issue of *House Beautiful* led off with an article titled *How to Live Like a King*. It called the three houses it described (one large, two small) palaces. A few years ago, says Robsjohn-Gibbings, no one would have dared call a house a palace.

French's Spencer Samuels offers another clue. French opened its new gallery this fall with a loan exhibit of antiques and art it had sold over the years. Only one owner asked that his name be withheld. A few years ago, half of them would have asked this, Samuels says.

Maximilian Fur Co., swish New York furrier, finds people are definitely out to enjoy what they can. They are willing to take a chance on an unknown artist because they like his work, some dealers report. At least one jeweler—in San Francisco—denies diamonds are selling as an investment. "People just like them," he says.

• **Elegance Wins**—In part, the whole latter-day trend to what the architectural firm of Mayer Whittlesey & Glass calls the "new formalism" is part and parcel of this attitude. The demand of 10 years ago for costly rusticity is giving way to elegance—servants' quarters carefully isolated, formal dining rooms, central halls. The surge to 18th Century French antiques is another case in point. And Lincoln's announcement last week of two new models designed to be chauffeur-driven is just one more strand in the pattern.

• To Melanie Kahane, the Rolls-Royce ads are symbolic of the whole new freedom. They are the admission by this staid old concern that an eager market awaits them. In fact, says Robsjohn-Gibbings, the rich are going mad in their effort to find the skilled craftsmen who can supply their wants.

In a day when plush cars, swimming pools, boats have become a commonplace for the middle-income groups, some of the old prestige symbols have lost their hold. Thus, pressures of their own economic circumstances lead the wealthy to spend—with more restraint, perhaps, but with more skill, for more fun. **END**



man-on-the-spot

in Oslo

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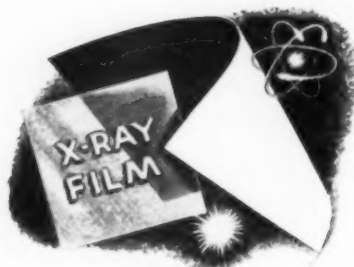
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In Marketing

...

Staff Upheaval at McCall's Magazine Not Due to Retrenchment, Says Langlie

Arthur B. Langlie, president of McCall Corp. and former governor of Washington, flatly denied that last week's sudden resignation of several top editorial and advertising executives was the result of any plans to merge, sell, or fold McCall's, the magazine of "togetherness."

Rumors flew last week when Otis L. Wiese, editor and publisher of McCall's, announced he was quitting after 31 years as top man at one of the three leading mass-circulation women's magazines. He was followed, apparently out of loyalty, by other editorial department heads as well as William B. Carr, advertising director, and other business office people.

One report was that Wiese refused to go along with an austerity program brought about by declining profits and revenues. But Langlie claimed that McCall's is making money and that promotional efforts would be continued. He denied there have been any major cutbacks, though newer and more streamlined methods of doing business had been started when he took over as president in 1957. "We had to get out of some ruts," he said. McCall's, along with lots of other magazines, lost advertising revenue in the first nine months—from \$15.4-million in the 1957 period to \$13.3-million in 1958. This was a bigger percentage drop—about 14%—than that of the leading competitor, Ladies Home Journal. Good Housekeeping, another competitor, had a slight revenue boost.

Over-all, Langlie pointed out, McCall Corp., which prints many leading magazines and has a profitable home-sewing pattern business, has increased its profits 15%.

In an earlier McCall defection, Wade H. Nichols, Jr., quit as editor and publisher of Redbook to become editor of Good Housekeeping. In turn, Langlie named Herbert R. Mayes, former Good Housekeeping editor, as McCall's top editor. Langlie said there would be no trouble in filling other posts by promotions within McCall's.

...

Marketing Briefs

Trading stamps have spawned a new advertising medium. Coleman-Morrow, Inc., which publishes the booklets that savers paste their stamps in, is selling space in the books to advertisers. First issue of 14.3-million booklets will be distributed starting next March, mostly through food stores in 30 states.

A leading manufacturer is enabling its commercial customers to lease carpets on a monthly basis. C. H. Masland & Sons has sent its dealers a chart showing monthly rental charges for three years based on the cost per yard of the carpet and the markup the dealer decides to add. A \$7.61-per-yard carpet, for example, with a 30% dealer markup would rent for 21¢ per month.

Hi-fi addicts will be asked to join a new kind of club, as part of a promotional effort of the Institute of High Fidelity Manufacturers, association of component makers. Over the year, members will receive their choice of special test tape or disk, six-month subscriptions to one of five hi-fi magazines, a book on hi-fi, a news letter on new developments in the field, and other features of interest to hi-fi fans.

not listed

Vision, foresight, spirit . . . the creative imagination that results in newer methods, finer products, better living.

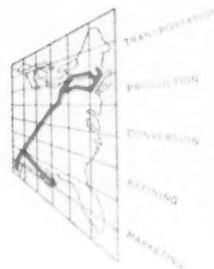
None of these is listed in financial reports or balance sheets.

But they are the most important assets of every great company.



TENNESSEE GAS TRANSMISSION COMPANY

AMERICA'S LEADING TRANSPORTER OF NATURAL GAS
HOUSTON, TEXAS





Good looks never carried so much weight!

Chevrolet Task-Force 59 **Trucks**



Here's the handsomest thing that ever happened to hauling—the new El Camino, combining the stunning style of a '59 Chevrolet passenger car with the cargo capacity of a pickup. It's another example of the added prestige Chevrolet trucks bring to your business—from the Sunday-go-to-meeting look of the new Fleet-side pickups (available with new two-toning as an extra-cost option) to the built-for-stamina styling of heavy-duty models. Your dealer's waiting now to show you the entire new Chevrolet Task-Force 59 lineup—the best yet of the best sellers—with *new might, new models, new money-saving power.*

CHEVROLET DIVISION OF GENERAL MOTORS, DETROIT 2, MICHIGAN



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DIVISION OF SPERRY RAND CORPORATION

When Phones Wed Electronics

General Telephone-Sylvania union will give General a road to electronic future, Sylvania backing it needs for new lines.

One of Wall Street's most closely guarded secrets was revealed last week with the announcement of a proposed merger between General Telephone Corp. and Sylvania Electric Products, Inc. At first blush, the combination seemed as odd as a wedding of a great Dane and a bobcat. However, a look backward at General Telephone's thinking shows that such a merger would fit in naturally with its future image of itself.

General Telephone is essentially a telephone utility holding company, second in size only to massive American Telephone & Telegraph Co., with a sizable portion of its revenues coming from the manufacture of telephone equipment (BW-Mar.24'56,p152). Sylvania produces lighting products, radio and TV components and receivers, photographic equipment, and military electronics systems. Although Sylvania is perhaps better known—because of its place in a “glamor” industry—General is by far the bigger of the two (charts).

The merger—already approved by both boards—would probably be the biggest of the year. It would produce one of the 100 largest corporate enterprises in the nation, with assets—in 1957 figures—of close to \$1.5-billion, sales of \$842-million, and earnings of \$58.4-million. Sylvania would continue to operate as a separate corporation.

• **Terms**—Proxy statements are now being prepared, and will be mailed out to stockholders of both companies soon. A month later, both groups will vote on the merger; and while some shareowners and analysts don't wholly favor the move, there's little doubt in Wall Street that the necessary two-third majorities will be forthcoming.

Sylvania's shareholders, who hold a little more than 3.5-million common shares, will get shares of General Telephone common on a share-for-share basis. General now has a bit more than 15.6-million shares outstanding, out of 20-million authorized. Both companies also have preferred stock outstanding. There was no immediate announcement regarding the preferred, but there's every likelihood of working out some exchange.

Early this week the common stocks of both companies were selling at around the same price level; General stood at \$56.50 per share, Sylvania at \$54.87.



PLANT INVESTMENT

(Millions)

SYLVANIA
\$76.7

GENERAL TEL.

Telephone System	\$870.7
* Mfg. Facilities	43.6
	\$914.3

COMBINED
\$991.0

* Owned by nonconsolidated subsidiaries

TOTAL ASSETS

(Millions)

SYLVANIA
\$247.3

GENERAL TEL.

* Consolidated Basis	\$1,046.4
Noncon. Subsidiaries	146.0
	\$1,192.4

COMBINED
\$1,439.7

* Adjusted

CAPITALIZATION

(Millions)

SYLVANIA

GENERAL TEL.

COMBINED

Long- and Short-Term Debt	\$69.7	\$534.4	\$604.1
Pfd. Stock	9.6	144.5	154.1
Common Stock	26.4	148.6	175.0
Surplus	101.4	186.3	287.7
TOTAL	\$207.1	\$1,013.8	\$1,220.9

Dividends of both companies have been running at a rate of 50¢ per quarter.

• **Top Men**—The merger was no sudden impulse—merger talks had been going on since midsummer. One reason the two companies were able to keep their plans secret until the last

moment was that Paine, Webber, Jackson & Curtis handles the underwriting for both. Besides that, Donald C. Power, president of General, has been on Sylvania's board of directors since 1957.

According to the merger announcement, Power will become chairman and

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Some 450 fact-filled displays will show you the way to provide year-round comfort—in the plant—in the office—in the home—or in the restaurant, hotel, hospital and any other four-walled enclosure.

This year-round indoor comfort will pay untold dividends—in higher productivity, lower absenteeism, and increased employee morale—creating space that will be in greater demand, used to better advantage.

See and discuss with representatives of the leading manufacturers just how the latest developments can be put to work for you—On A Profitable Basis.

Make your plans to attend, now. Write the Exposition today for advance registration and hotel information.

14th INTERNATIONAL HEATING & AIR-CONDITIONING EXPOSITION

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Ⓜ 1260

chief executive officer of the combination, to be called General Telephone & Electronics Corp., and Don G. Mitchell, chairman and president of Sylvania, will take over the presidency. Mitchell will retain his top posts at Sylvania for the time being, until a successor is named as president.

• **What Each Gains**—A close second look at the hopes and aspirations of both General Telephone and Sylvania shows that a marriage between the two makes sense for both.

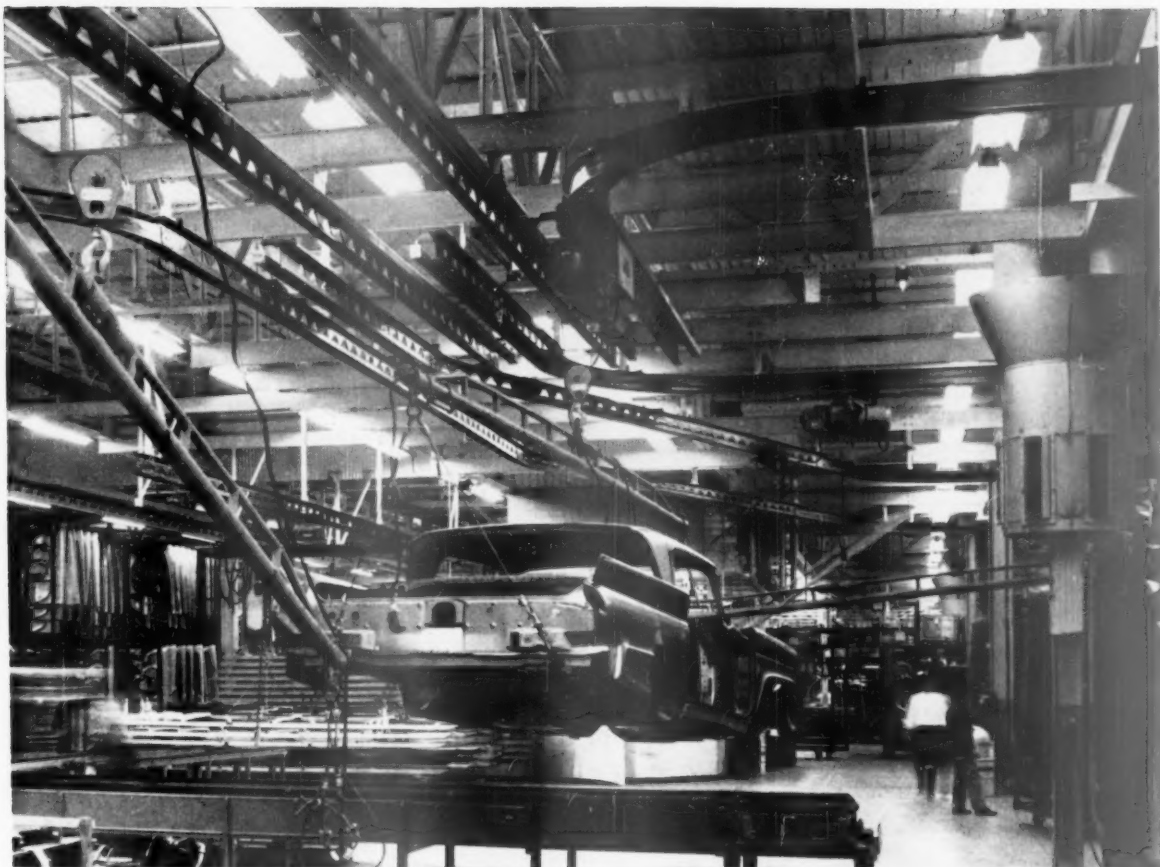
Power told General's stockholders this spring: "We believe the day is not far off when the U.S. will be linked by a nationwide electronic telephone system, directed by electronic brains. From our point of view, this development will enable us to use electronic switching offices which will be far smaller and operate much more rapidly than our present facilities. I do not mean to imply that electronic switching will replace our electromechanical switching facilities within the immediate future, but our experiments with pilot models have been encouraging."

It was partly with this electronic future in mind that Power, in 1957, established a research arm of the corporation, General Telephone Laboratories, Inc. But this is still pretty much in the embryo stage. Sylvania, on the other hand, has long experience in electronics research, and a sizable portion is related to data processing in connection with the Air Force Ballistic Missile Early Warning System.

Sylvania wants to make the transition into commercial and industrial data processing; and General, a big entrenched utility with ample funds, will help accelerate its program. This year, Sylvania will spend more than \$20-million for non-military research and engineering. Once the merger is accomplished, it will be able to increase its budget, possibly to more than double that figure.

One other problem that has been nagging Power may also find a solution—the future of General's big manufacturing subsidiary, Automatic Electric Co., of Northlake, Ill. Automatic makes central office equipment and other communications facilities, and most of its output since World War II has been devoted to dial equipment. But now, 84% of General's 3.3-million telephones are dial-operated; so it won't be long before Automatic Electric will have excess capacity. Power hopes to persuade industrial customers that these facilities could turn out their products. And Sylvania's researchers may be able to develop other products that can be produced by Automatic Electric.

• **Frowns**—Despite the long-term mutual benefit which could derive from the General Telephone-Sylvania merger, some Wall Street analysts frown on



Lincoln Takes a Trambeam Tour...

SAFE, FAST, OVERHEAD HANDLING

Whiting Trambeam carries Lincoln and Continental bodies overhead—adds a new dimension to efficient handling in the Wixom, Michigan Lincoln assembly plant of Ford Motor Company. The system is 1,500 feet long, includes 7 switches and numerous curves.

Trambeam increases production efficiency by moving loads overhead safely and with pin-point precision. Pushbutton-controlled electric hoists provide the lifting "muscle." Heavier capacities are equipped with exclusive Whiting motor drives. For complete maneuverability throughout a system, Trambeam's distinctive "half-hexagon" rail is standard size for all capacities. Each sys-

tem is engineered for minimum maintenance and lowest operating cost. See how you can build new efficiency into your plant with a Whiting Trambeam Overhead Handling System.

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12 idea-packed pages... filled with actual installation photos of Trambeam Monorail systems for point-to-point transport and Trambeam Crane systems for complete area coverage. ASK FOR YOUR COPY. Whiting Corporation, 15661 Lathrop Avenue, Harvey, Illinois.



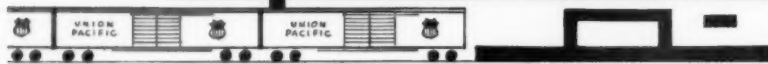
87 OF AMERICA'S "FIRST HUNDRED" CORPORATIONS ARE WHITING CUSTOMERS

WHITING



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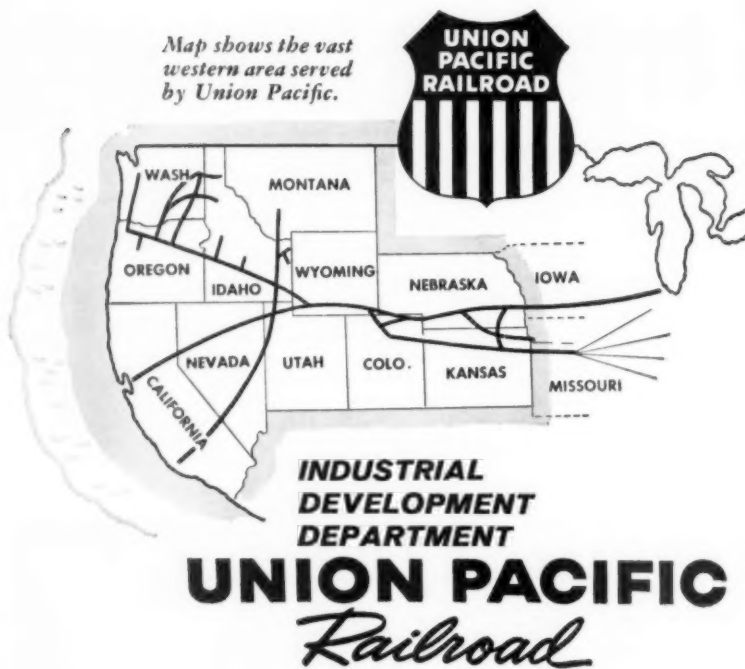


If you're seeking a western plant site where there's efficient, dependable freight and passenger rail transportation—

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Map shows the vast western area served by Union Pacific.



OMAHA 2, NEBRASKA

what they regard as a prospective change in General Telephone's character as an investment. Sylvania's earnings have been erratic, while General's, like most "recession-proof" utilities, have forged steadily upward. Moreover, these analysts insist that General is paying too high a price for Sylvania; that company's book value is roughly half the market price of its stock.

However, although Sylvania's earnings in the first nine months of this year fell to \$1.72 per share from \$2.37 a share in the year-ago period, recovery has been rapid. Earnings for 1958 are expected to hit \$2.75 to \$2.80, compared with \$3.48 for 1957, and some analysts figure they'll go to \$4.00 for 1959.

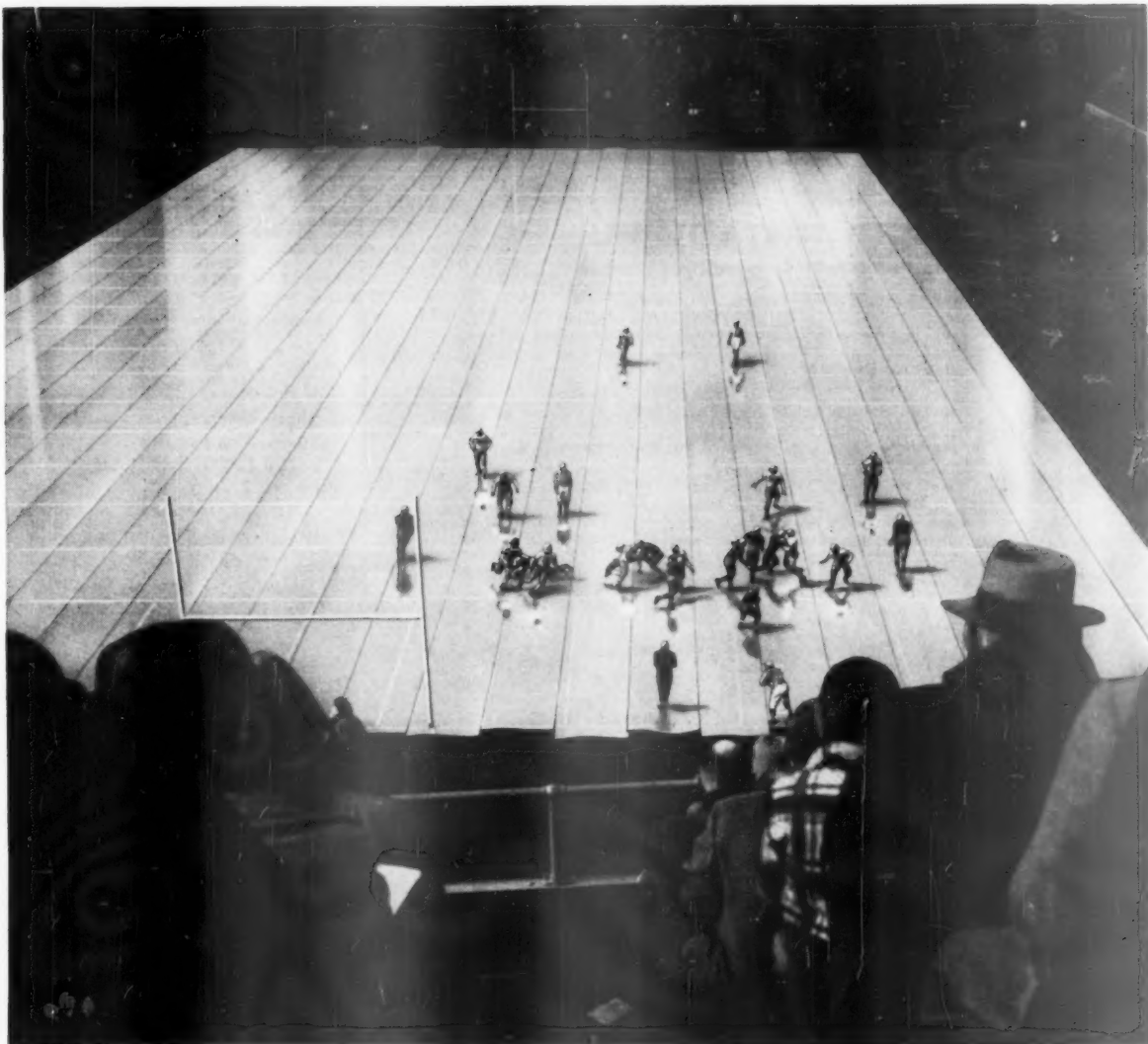
General's earnings, on the other hand, have continued moving up. Nine months earnings were \$2.33 per share, against \$2.26 last year. Its 1958 earnings will reach about \$3.10 to \$3.12 vs. \$3.03 last year, and in 1959 may hit \$3.45.

• **Management Prospects**—One aspect of the merger of particular interest to the financial community is how management of both General and its Sylvania division will shape up. It's more than likely Power will continue as policy-maker for the corporation, while Mitchell will probably devote himself to operations. Mitchell is basically a salesman, has been one most of his working life. And since Power, a veteran utility lawyer, took over the reins of General in 1951, he has been pushing for a strong sales program.

The splitup between policy and operations isn't new to Mitchell. Back in 1953, he moved up to Sylvania's chairmanship to devote himself to external affairs—relations with the public, government, and stockholders, plus the responsibility of making sure sources of capital were always available (BW—May 2'53, p114). He left operations to the new president, H. Ward Zimmer, until the latter died in 1955. Power has overseen the financing of General's spectacular expansion, has raised \$295-million in new capital via the sale of common and preferred stock, taken down over \$419-million in funded debt.

Power, who will be 59 on Christmas day, will probably hold onto his job for a long time to come. He's a contract employee of General Telephone, and not subject to compulsory retirement. Mitchell is 53, and will be ready to step into the chairmanship when and if Power does leave the post.

Mitchell would let go the presidency of Sylvania as soon as a successor has been chosen. High in the running are Sylvania's younger senior vice-presidents. These include W. Benton Harrison, finance; Robert E. Lewis; Marion E. Pettigrew; Howard L. Richardson; and Barton K. Wickstrum, marketing. **END**



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Viking Pumps will do a multiple number of jobs for you at less cost.

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Choice of over 750 catalogued models and thousands of specially constructed pumps . . . widest in the industry.

HOW... To help you select the right Viking Pump for your job, ask for Catalog series K. It answers your rotary pump problems in an easy-to-understand way.



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Impressed by the National Safety Council's finding that 25% of industrial injuries are to hands and fingers, cost-minded managements now job-test the gloves used on their operations.

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Edmont
JOB-FITTED GLOVES



Wall St. Talks . . .

. . . about most actively traded stock . . . prices in 1929 and 1958 . . . tax payments of auto companies.

Most actively traded issue in 1958 is likely to be American Motors. At the end of October, trades in that issue had involved almost 9-million shares. Bethlehem Steel won the title in 1957 with a volume totaling only a bit over 84-million shares.

Short covering has accounted for a substantial part of the recent sharp price strength disclosed by a number of blue chips, brokers report.

If you think stock prices were high in 1929, suggests an uneasy Streeter, you might take a look at these current samplings: U.S. Steel, which sold as high as \$262 in 1929, recently hit an equivalent price of \$540; similarly, GE was selling for \$840 vs. \$403, GM for \$780 vs. \$214, Standard Oil (N.J.) for \$360 vs. \$121; and Union Carbide for \$1,071 vs. \$264.

An election result that cheered Streeters was the defeat in Oregon of three public power proposals, including one that would have allowed Portland to go into the power business.

Any further stiffening in money rates, claim many analysts, would not be considered bearish by the market. Instead, it would be regarded as an indication that business generally was improving as expected.

Poor auto earnings have put an appreciable dent in Uncle Sam's tax revenues. In the first nine months, income tax payments of GM, Ford, and Chrysler added up to only \$205.6-million, compared with \$971.7-million in January-September, 1957.

Excuse it please! One investment advisory service recently cited Sheller Mfg. Co. as a candidate for higher dividends. The next day Sheller announced it would omit the dividend normally declared at this time.

Attracting more buying interest lately are the 50% or so of all Big Board listed stocks still selling at prices ranging from 10% to over 50% below their 1955-57 bull market highs. With business generally improving, many in that group, the more speculative-minded feel, might well hold interesting appreciation possibilities over coming months.



This is the center of industrial America

There's a hint of wood smoke in the tangy autumn air. The frost-silvered grass crackles pleasantly underfoot. The day is young and promising—and the pulses of man and boy and dog quicken in the eager expectancy that all hunters know and love.

It's hard to believe that this unspoiled beauty lies only a few miles away from an industrial center that turns out such products as art materials and carpet cleaners, fertilizers, castings and automotive hardware, machine screws and radios, power shovels and construction machinery . . . and it's hard to believe this center is just a day's shipping away from virtually every major American market.

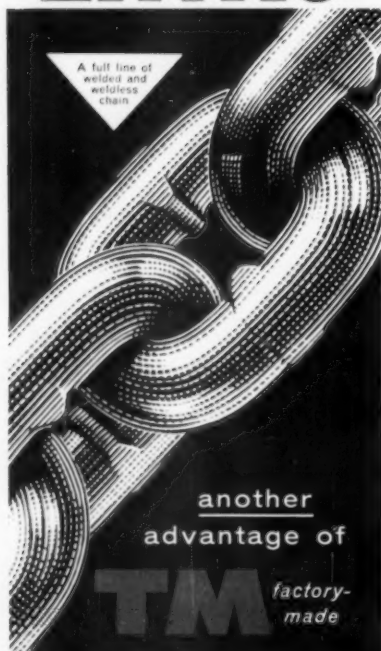
Yet this juxtaposition of outstanding facilities for better living and for *better business* is typical of the area mapped below. That's why more companies are locating or relocating in The Center of Industrial America.



It's a good place to locate. For details on locating *your* plant in this region, write C. A. Thrasher, Ohio Edison Company, 43 North Main Street, Akron 8, Ohio; or P. G. Dingledy, Pennsylvania Power Co., 13 East Washington St., New Castle, Penna.

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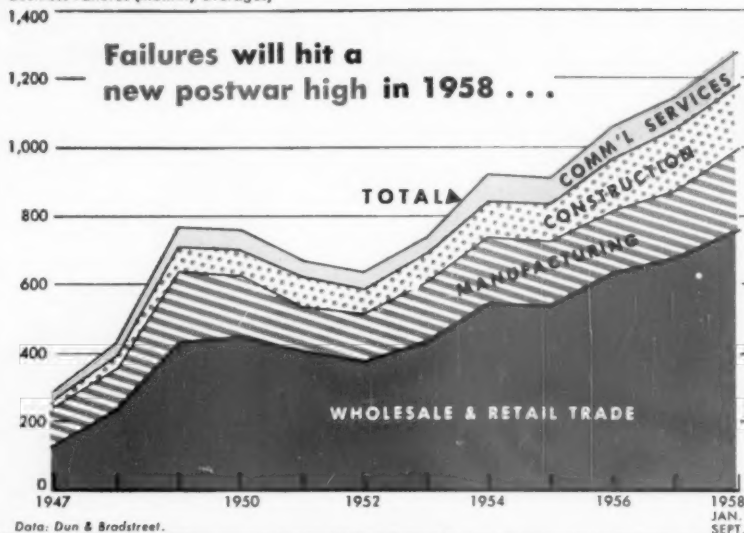
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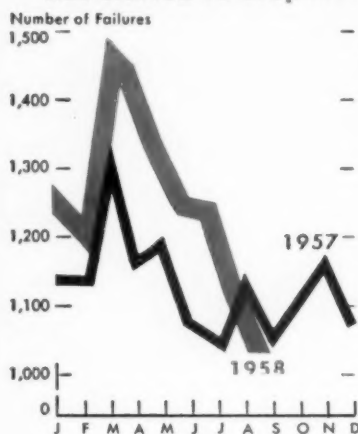
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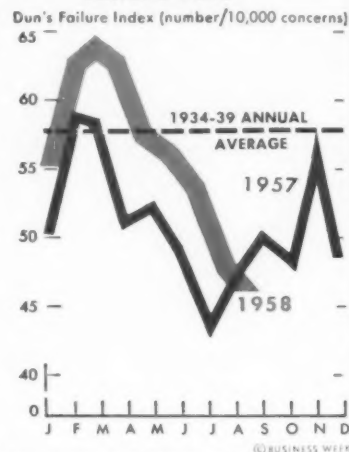
Business Failures (monthly averages)



... But lately their number has started to drop . . .



... And so has the failure rate



Signs of an Ebbing Tide

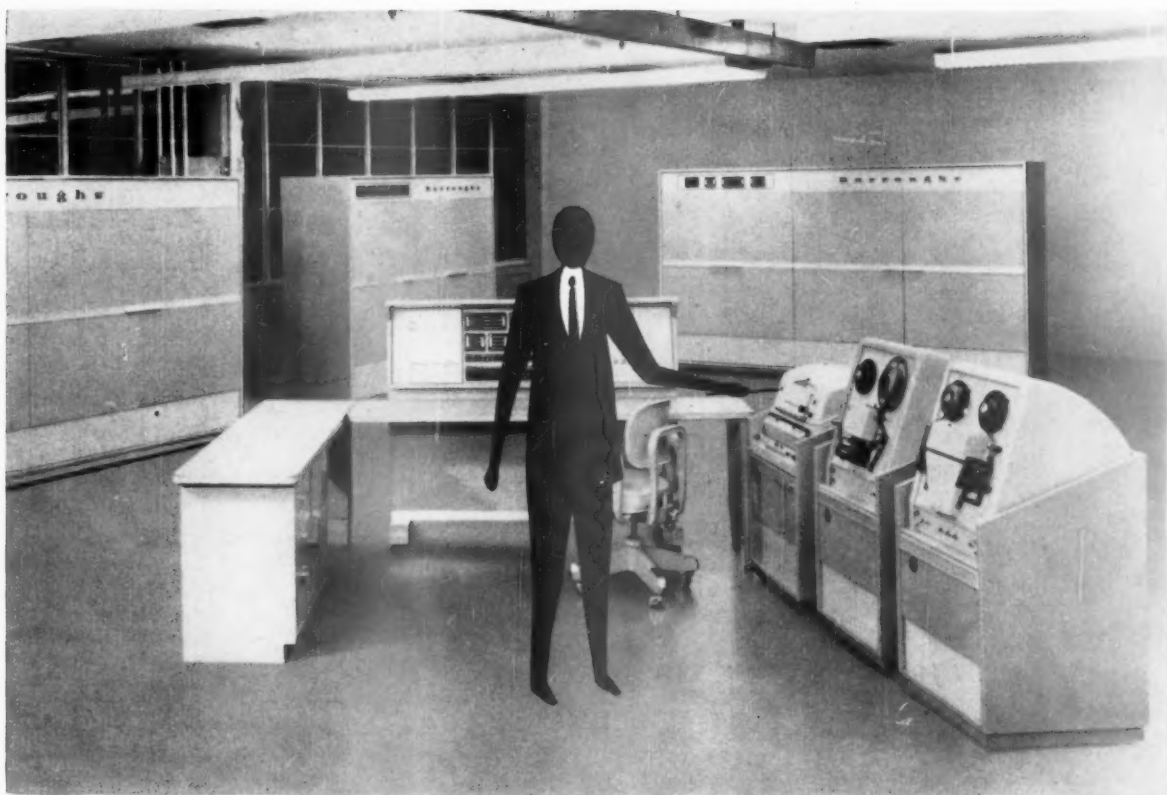
The total of business failures seems headed for a record high in 1958, but the figures are far from unrelieved gloom. In August, and again in September, the patient took a marked turn for the better.

Dun & Bradstreet, Inc., reports that in the first nine months of this year 11,490 businesses expired; that's 11% higher than in the year-before months. And the full year bids fair—or foul—to top the 13,739 postwar record set last year.

On the bright side, failures in August were scarcer than in the year-before month (charts), for the first time since October, 1957. And the September total took an even more encouraging dip than in August.

• **Failure Index**—You see the same cheerful picture in Dun's Failure Index, which gives the ratio of failures per 10,000 businesses listed in the D&B Reference Book. This August, the index was about the same as a year earlier, while the September index actually showed a year-to-year drop—the first time that had happened since October, 1957. The September index was also the lowest since July, 1957, and—except for that one month—the lowest since December, 1956.

The August-September decline in failures doesn't necessarily mean that the upward trend has ended. After all, even in record smashing 1957, there were two months where failures fell below the year-before figure. But even



Why Burroughs chose Teletype Printer for the 220 Computer System

... reliability, readability, adaptability, coding flexibility, appearance, quiet operation and speed—factors such as these determined Burroughs' choice.

Scientific computing, data processing. The Burroughs 220 is an electronic data processing system developed by ElectroData Division of Burroughs Corporation.

It can be used for high-speed problem solving and data reduction and for handling the vast quantities of data required in inventory control, accounting, payroll and other record keeping functions.

The system incorporates Teletype Model 28 equipment for monitoring and off-line printing.

Why Teletype printers? Burroughs chose the Teletype Model 28 printer because of its:

- 1 Reliability**—it ran continuously . . . more than 20 times as long as other equipment tested.
- 2 Speed and readability**—operates at 100 words per minute, and, because the type box drops out of the way between characters, provides quick readability.

3 Adaptability—the printer accepts parallel input information directly from computer; it can be equipped internally to actuate remote "slave" printers.

4 Coding flexibility—the printer's type box can be rearranged for special code requirements.

5 Appearance and quiet operation—the printer is housed in a well-designed, attractive cabinet that stresses quiet operation.

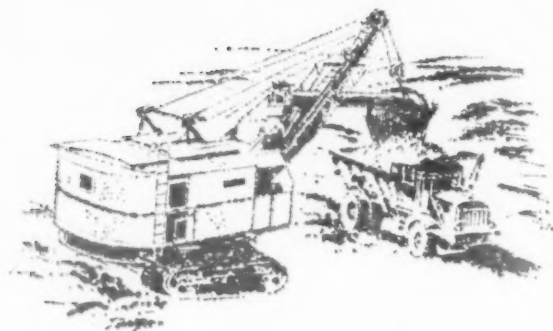
More information. This is one of the many uses of reliable, versatile Teletype equipment. If you would like to have information about the fast, new Model 28 line . . . please write to Teletype Corporation, Dept. 10L, 4100 Fullerton Avenue, Chicago 39, Illinois.

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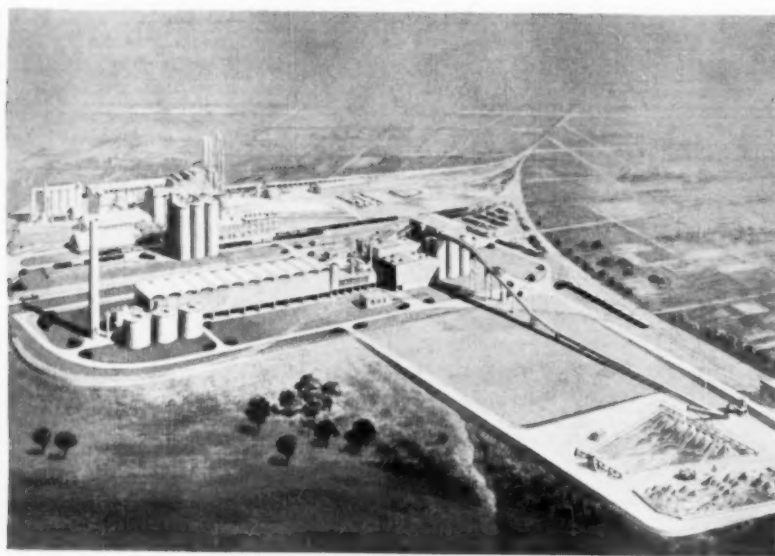
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15 PLANTS AND 4 TERMINALS SERVING SOME OF THE MOST RAPIDLY GROWING AREAS OF THE NATION

if the totals begin climbing again, it's well to remember that failures in the postwar years have been few indeed compared with earlier times.

From 1912 to 1916, annual failures ranged from 15,452 to 22,156. And in the wild boom-Depression stretch from 1921 to 1933, failures ranged from a low of 18,718 clear up to 23,842 in 1928 and to 31,822 in dismal 1932. Even in the perkier years from 1934 to 1939, the failure index stood at an average 57.9, compared with last year's 51.7 for a much greater number of businesses.

• **Hidden Totals**—The D&B failure statistics by no means cover all the businesses that throw in the towel, one way or another. D&B merely tallies up the enterprises where creditors lose money. There are many other cases where businesses liquidate of their own free will, paying off all obligations. Still another invisible category is the enterprises that escape bankruptcy or liquidation by merging with healthy businesses. Thus D&B hazards an estimate that in recent years something like 350,000 or 400,000 outfits go out of business each year, with an even greater number of new enterprises being started. All told, D&B recently estimated, there are now about 4.2-million going concerns.

Outsiders often wonder why there have been so many business failures since World War II, while the economy has been booming zestfully most of the time. The answer is easy: The old human yen "to go into business for yourself" is always strongest in boom times. With production up and consumers buying avidly, many inexperienced people decide to take the plunge, in the hope—as D&B puts it—"of learning as they go, while capitalizing on the general prosperity."

• **By the Wayside**—Many such hopefuls do make good, but a far greater number fail. Thus D&B figures that businesses five years old or less persistently make up over half of all failures, while 90% of the over-all total can be traced to "inexperience."

This inexperience problem, moreover, has been considerably accentuated of late. As D&B has explained: "Today's... businessman probably operates under a much greater strain than his counterpart did 20 or 30 years ago. Advances in communications and technology in factory, store, and office have speeded up the business pace requiring more factual knowledge and know-how on the part of the entrepreneur (if he is to prove successful), as well as a larger initial capital investment."

Remembering this, most economists refuse to be alarmed at the number of postwar failures; they find the trend perfectly "normal"—an increasing sorting out of the men from the boys. **END**



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"Some years ago, population growth, coupled with the increasing popularity of amateur color photography in the West, prompted the Eastman Kodak Company to select a western location which would be well suited for a new processing laboratory for Kodachrome movie film and for making Kodachrome slides and Kodacolor prints. Santa Clara County was the choice due to a combination of its central location in the Pacific area, excellent transportation facilities, year 'round mild climate, and an exceptionally good environment... and we like it here!"

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ABOUT THE WEST."



REGIONS

How Voters Felt on Spending

Trends are hard to spot in the balloting on \$2.2-billion in state and local bond issues last week—but, in general, voters seemed to prefer schools to other public projects.

With \$2.2-billion in state and local bond issues up for approval last week, voters across the country took a mixed view of government spending. Although the outcome of some proposals is still in doubt, here's the way they generally reacted:

- In dollar terms, 80% or more of the total was approved. This figure is in line with the results of elections in earlier months, when far less money was at stake. But it's distorted by huge issues such as the state of California's \$780-million and the Los Angeles Flood Control District's \$225-million—which by themselves accounted for nearly 50% of the national dollar total.

- In number of issues, the electorate said "yes" to a smaller percentage. The exact figure is yet to be determined.

- **Splitting the Ticket**—In general, voters apparently did as much ticket-splitting on bond issues as they did on candidates. In many places, they sanctioned spending for schools but not for government buildings and civic centers.

And whatever the results, the voting on money issues was far lighter than on candidates—apparently a sign of dismay or disgust at the number of decisions to be made on a ballot. Frequently, proposals failed to carry even though "yes" votes were in the majority, simply because the yeses didn't add up to 55% or 60% of the total votes cast in races for state office, as some states require. Failure of a bond issue under such circumstances, of course, doesn't necessarily mean voters were economy-minded. Besides, local men or issues often overrode possible national trends.

BUSINESS WEEK reporters were able to draw one conclusion from the voting: People are willing to spend money when the need is clear—and shown.

I. Region-by-Region Results

In California, there was enthusiastic approval for the big state bond issues, apparently because the public accepted them as necessary to cope with the state's rapid growth. The money included \$300-million for farm and home loans to veterans, \$220-million for loans and grants to school districts, \$200-million for construction of state institutions and office buildings, and \$60-million for harbor improvements.

San Francisco voters gave an O.K. to these proposals but split their tickets

to trounce six local issues totaling \$38.5-million.

- **No Bonus for Illini**—In Illinois, a bond issue of \$75-million for veterans' bonuses was thumpingly defeated. The state's legislature and governor had referred it to the people without urging its approval. Oregon, in a similar mood, rejected an increase in the limit on veterans' home and farm loans.

Another Illinois issue—\$248-million for construction of state buildings—appeared also to have lost. Even if it wound up with a majority of "yes" votes, it failed to get enough to constitute a majority of votes cast for the State's General Assembly, even though it was supported from almost all sides.

New York's voters went along with \$100-million worth of bonds for low-cost public housing. Vote counting on \$100-million for loans to private builders of middle-income housing was so close it could go either way.

- **School Cash**—The bulk of the school bonds at stake were in Ohio communities, where a majority carried, including Cincinnati's. But a \$24.5-million issue in Seattle was in doubt; it needed 60% approval. Washington voters turned down a constitutional amendment to allow school districts to vote levies in excess of the legal maximum for more than a year at a time. And in St. Paul a \$20.5-million school issue went down to defeat.

Election Day brought some help to New Jersey school districts, through approval of a transfer of \$18-million in state school funds to guarantee their bonds.

- **Nix to Building Plans**—When the voters came to multi-purpose bond issues, they gave many setbacks to plans for building construction and improvement. Such would have been the primary use of the money San Franciscans refused to ante. And in Cleveland, a \$15-million civic center was turned down for the second year in a row, and this time a \$5.2-million courthouse went with it. Des Moines declined to approve the funds to remodel the courthouse, and Portland, Ore., rejected a multi-purpose bond issue even though it included money for badly needed sewers.

On the other hand, Philadelphia's voters went for four issues totaling \$70-million, including a big chunk of



ARTIST'S INTERPRETATION

**There is no substitute for stainless steel
in outer space**

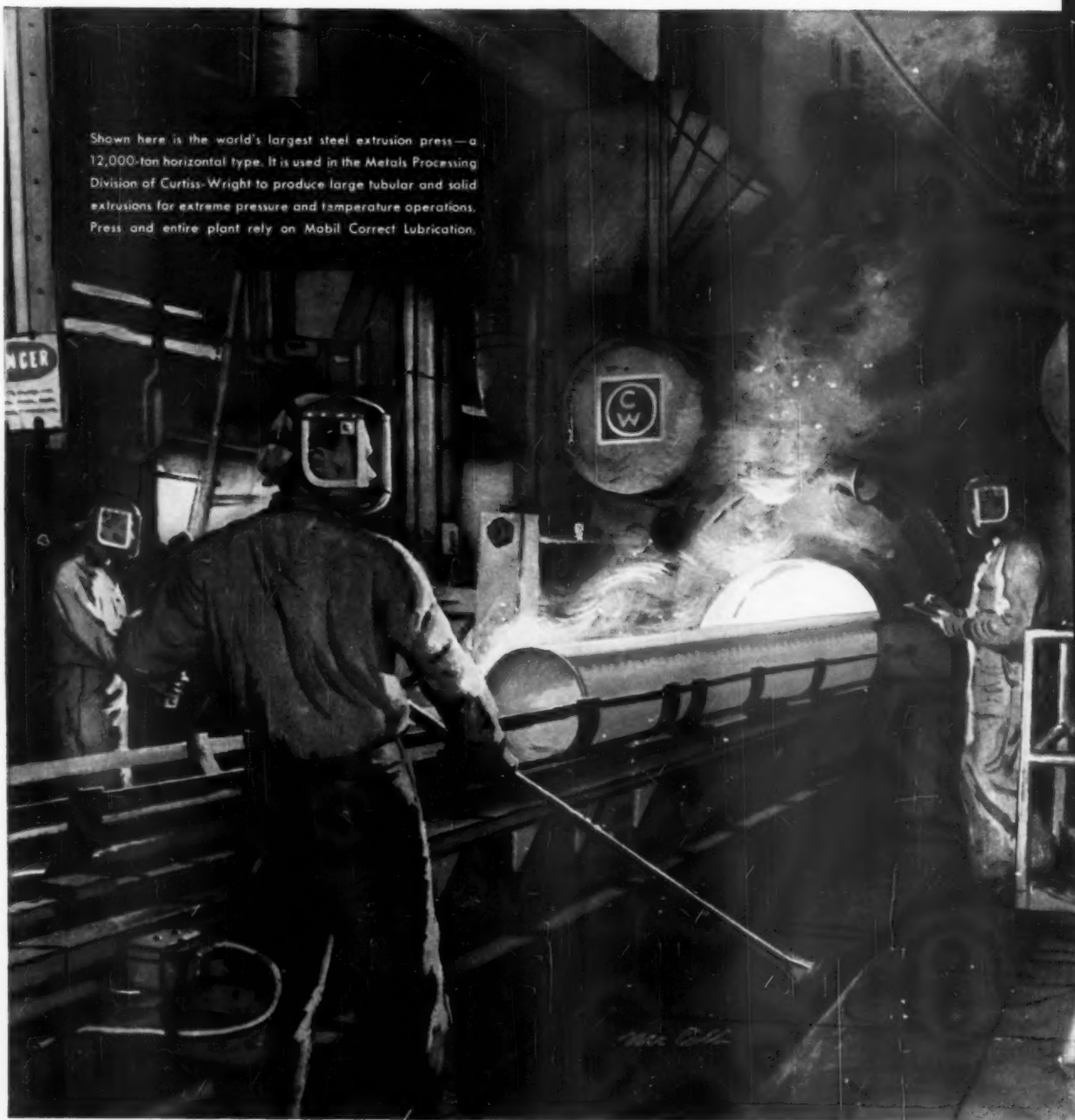
From the intense cold of outer space to the heat of a jet engine, Stainless Steel is the one metal that will stand up. In rockets, missiles and supersonic aircraft, Stainless Steel resists heat, friction and corrosion, has a high strength to weight ratio and maintains its structural integrity under the most severe conditions.

Specify McLouth high quality sheet and strip Stainless Steel. McLouth Steel Corporation, Detroit 17, Michigan.

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Correct Lubrication in Action...

How Mobil saved



Shown here is the world's largest steel extrusion press—a 12,000-ton horizontal type. It is used in the Metals Processing Division of Curtiss-Wright to produce large tubular and solid extrusions for extreme pressure and temperature operations. Press and entire plant rely on Mobil Correct Lubrication.



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SOCONY MOBIL OIL CO., INC., and Affiliates: MAGNOLIA PETROLEUM CO., GENERAL PETROLEUM CORP., MOBIL OVERSEAS OIL CO., INC.

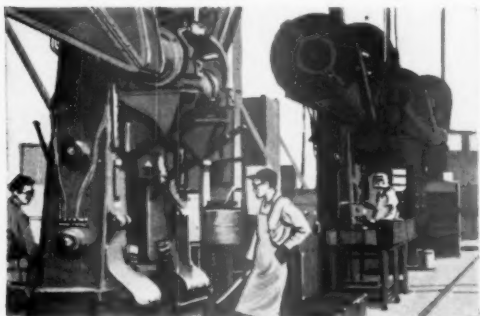
Curtiss-Wright \$8,589

Every time Curtiss-Wright's Metal Processing Division receives a lubricant shipment a big savings is made. Why? Because a Mobil man suggested a new purchasing pattern which brought substantial discounts. Another recommendation saved \$1,152 in the company's forging shop.

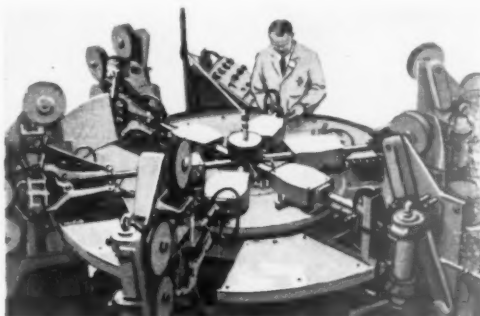
Here are but two instances of Mobil's imaginative engineering service—an important part of *Correct Lubrication*. Alert, qualified engineers in this plant—but not on the payroll—have helped save

over \$8,589.78 in the last year alone. They have worked closely with Curtiss-Wright engineers, setting up maintenance systems, recommending products and methods that have cut downtime . . . improved production in numerous ways.

If you purchase lubricants . . . if you're interested in improving company profits . . . it will pay you to investigate Mobil *Correct Lubrication*. This comprehensive lubrication program often more than pays for itself—in profits!



Bearings on drop hammers in Curtiss-Wright's forging shop failed after ten months. Mobil recommended a grease that extended bearing life five years . . . saved \$1,152 every ten months.



Curtiss-Wright saves by re-using hydraulic oil as coolant for polishing machine. This saving is part of oil reclamation program organized by Mobil and plant lubrication supervisor. Altogether savings total \$5,392 annually.



Bull gears on giant presses required application of grease every week. Mobil recommended improved product that extended application period to monthly intervals . . . cut grease consumption 76% . . . cut application cost \$665 per year.



Cooling and lubricating emulsion on cut-off saw broke down into curdly mass. Mobil laboratory analysis pinpointed contamination source. Adding an inexpensive chemical eliminated shutdown and cleaning operation.

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cash for new subway cars. Baltimore bought all of an \$80-million program except the proposed expansion of a municipal art gallery. And Little Rock passed a \$5-million issue—a vote regarded as approval for its new city manager form of government.

• **Urban Renewal's Fate**—Much of the approved Baltimore money will go for urban renewal. But a smaller renewal program in Louisville failed. And Oregon vetoed a new method of financing urban renewal projects.

For the second year, voters in Wayne County (Detroit), Mich., turned down a bond issue and tax increase for port construction to ready the city for St. Lawrence Seaway traffic.

In Omaha, voters rejected a charter amendment to form an airport authority and let it issue bonds without consulting the people. The same voters finally approved money for sewers. After a \$17-million sewer issue lost last June, the U.S. Public Health Service gave the city an ultimatum to stop polluting the Missouri River. Parred down to \$8-million, the issue carried this time.

Water supply systems drew more general favor. Several multi-purpose issues, including waterworks, were approved. St. Paul said "yes" to \$10-million for water. New Jersey O.K.'d a state issue of \$45.9-million for two reservoirs, and Kansas adopted an amendment that removes debt limits from water and flood control projects.

II. Other Local Measures

Voters also decided a number of questions in addition to bond issues. Among them:

Taxes. California squashed a proposal, sponsored by the State Federation of Labor, to reduce the sales tax from 3% to 2% (BW—Sep. 27 '58, p. 41). The measure had the effect of diverting campaign money and effort from the right-to-work law, also on the ballot and also defeated. In the same state, a measure to make non-profit private and parochial schools subject to property taxes was also voted down.

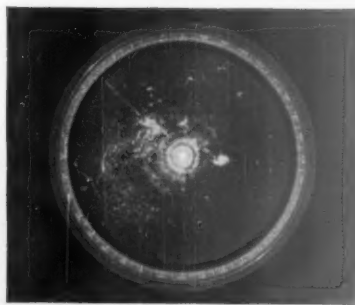
Houston rejected a school tax increase, and Georgia vetoed amendments for taxes to pay for school lunches and for certain state employee retirement funds. In Toledo, the vote was "no" on a city income tax increase to raise matching funds for expressways and on levies to build new schools, but the city did approve extension of one levy to run the schools. St. Paul defeated a charter amendment to raise tax levies for school and government operations. But Cleveland approved higher school levies.

Arkansas voted against repealing the increase in the state sales tax from 2% to 3%. Gov. Orval Faubus sponsored

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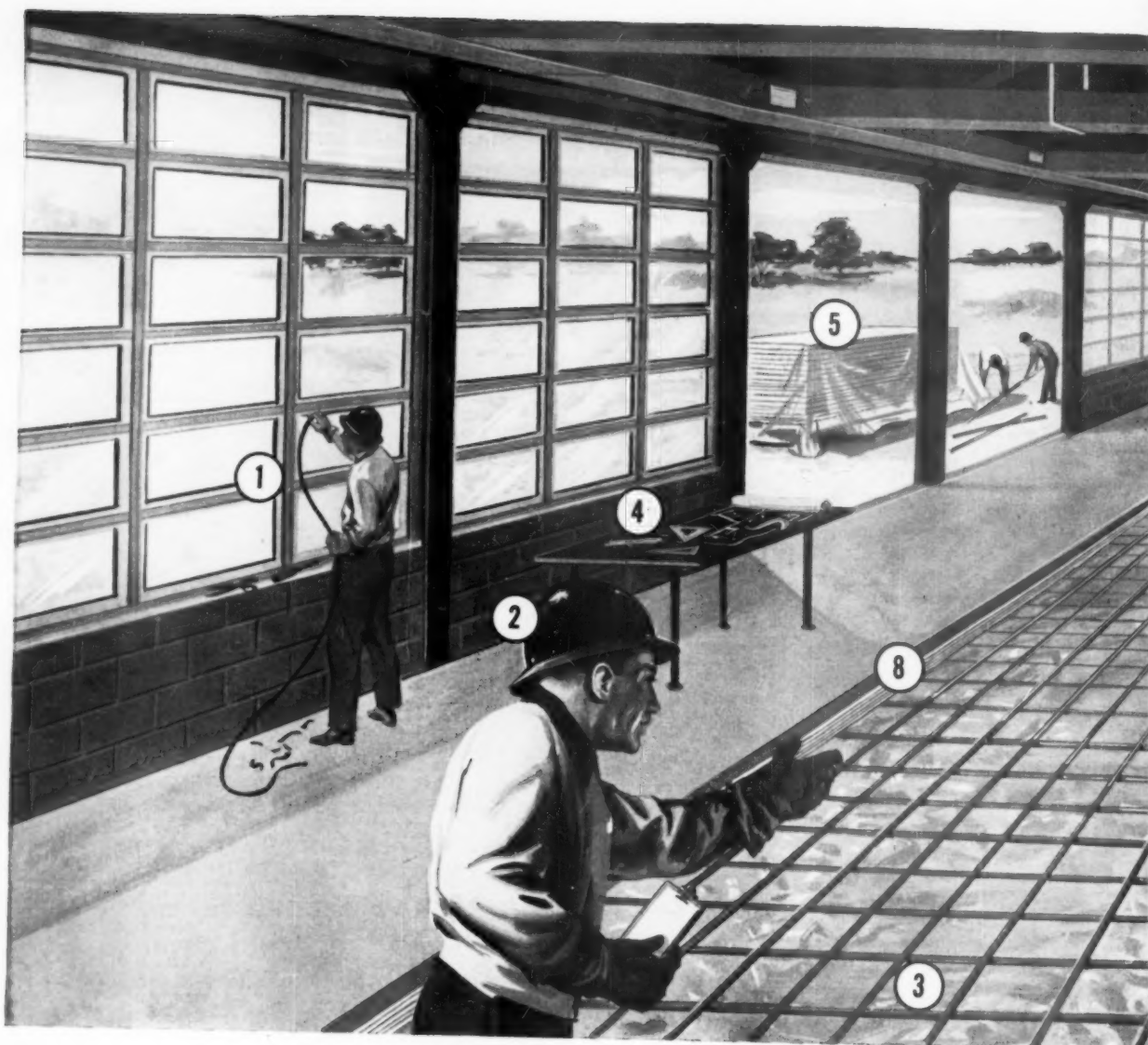
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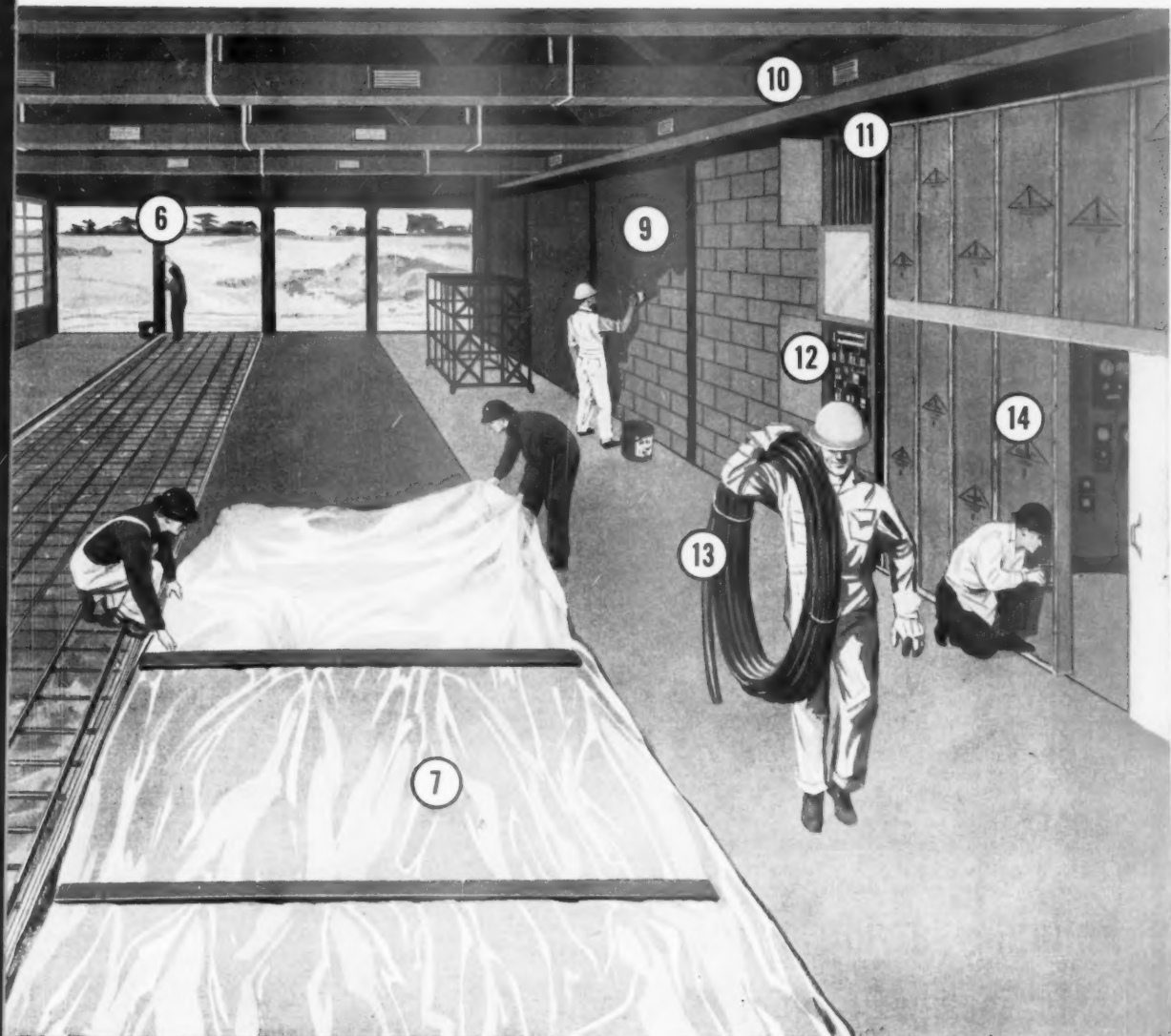
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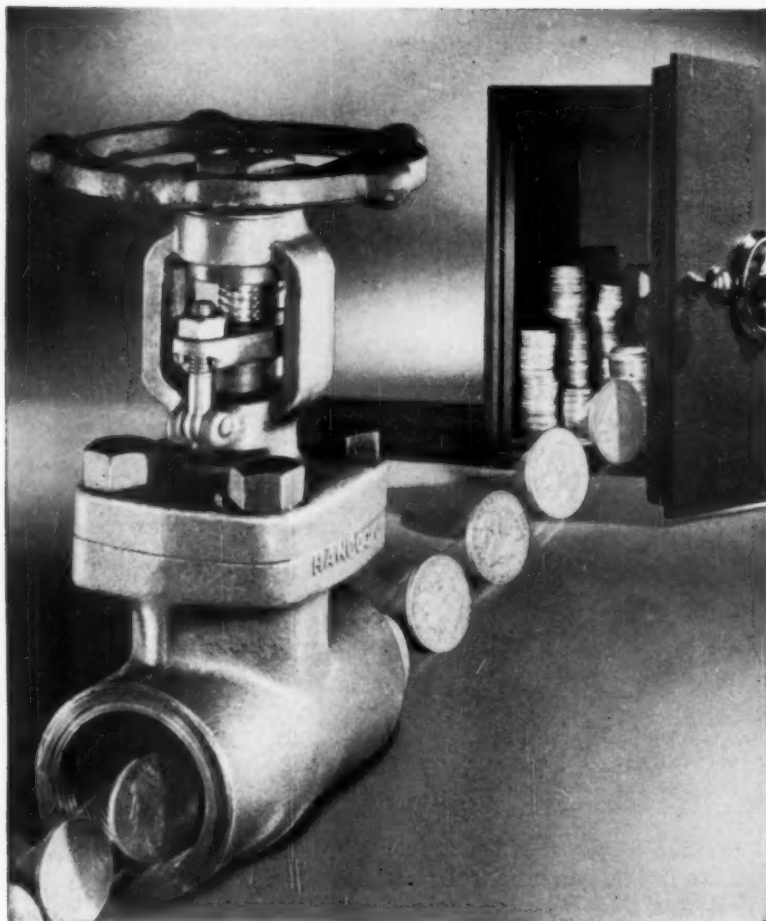
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the boost in the legislature and led the campaign to keep it. Support also came from the State Dept. of Education and teachers' groups, since most of the new revenue goes for teachers' salaries.

Legislatures. Arkansas gave its lawmakers pay raises, according to some observers partly as a reward for last summer's anti-integration legislation. Connecticut approved allowing the legislators to set their own pay. But Texas and Oregon refused to give their legislators any more money. Texans also voted against annual sessions of the legislature.

Industrial development. By a slim margin, Texas joined 46 other states (all but California) with authority to spend state funds to advertise themselves. Arkansas adopted an amendment to let local governments issue bonds, if voters approve, to help finance new industry, but Nebraska defeated a similar proposal. So did Alabama—where the measure, for Marion County, did not call for public consent to the bonds.

Government organization. A proposed amendment in Ohio to allow local governments to federate for areawide purposes lost by a hair. County home rule proposals passed in New York and Oregon. A proposed constitutional convention lost in Michigan, thanks to opposition from Democrats and the United Auto Workers, who feared Republicans would control the convention. Washington voted against legislative reapportionment, and Omaha rejected a new charter convention—in effect, approving its 2-year-old strong mayor government.

As a result of the Orville Hodge scandal in Illinois, the state banking act was amended to transfer authority over state banking from the elected auditor's office to an appointed Dept. of Financial Institutions.

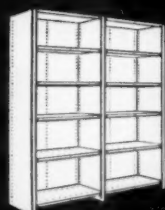
Judicial reform. Proposed reform of Illinois courts fell short of the two-thirds approval required, but Kansas approved an amendment providing for nonpartisan election of Supreme Court justices.

Bingo. Taking advantage of a state local option act, a number of cities in New York State—including New York City and Buffalo—voted to legalize bingo. Amendments passed in Nebraska and Colorado.

Employee pay. Boston's firemen won a raise from the voters after having been turned down by the mayor and council. Now other city workers will probably win higher pay, too. Comparable increases across the board would push Boston's tax rate—already one of the nation's highest—above \$100 per \$1,000.

Pensions. Massachusetts approved tightening up the disability pension system for public employees.

Capital punishment. Oregon voted to retain capital punishment. **END**



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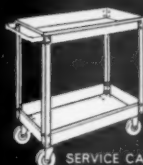
TOOL STANDS
AND TOTERS



COAT
RACKS



STORAGE CABINETS



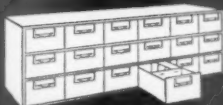
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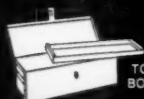
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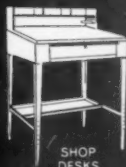
SHOP BOXES



DRAWER CASES



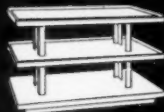
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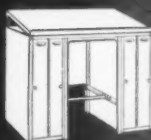
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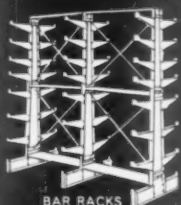
FLAT DRAWER FILES



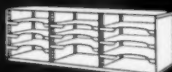
DISPLAY TABLES



DRAWING TABLES



BAR RACKS



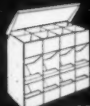
SORTING FILES



CABINET
BENCHES



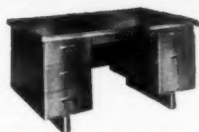
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Wild Rice Country

In the lake country of Minnesota and Manitoba, this was a bountiful year for wild rice. A crop of 1.7-million lb. assures an ample supply for holiday dinners.

The size of the crop also encourages a newcomer to the field, Jeno F. Paulucci, president of Chun King Sales of Duluth, Minn., who seeks to make wild rice a year-round staple in the supermarkets. By broader marketing, precooking, and printing recipes on the can labels, Paulucci hopes to take wild rice out of the gourmet class.

• **Getting Started**—Paulucci, a leading processor of Chinese food, entered the wild rice business in Minnesota last year. He invested in an airplane, canoes, cooking equipment, and a lot of research. Test-marketing of 10-oz. cans at 99¢ seemed to prove existence of a mass market.

This year, Chun King Sales got permits from the Manitoba government to harvest wild rice in 700,000 acres of provincial land north and east of Winnipeg. Operation on a larger scale brought the retail price down to 79¢.

• **Making It Pay**—Prices have been kept

high by several factors: the primitive harvesting methods, the conservation rules, the smallness of the crop and its market.

Paulucci can't do anything about the conservation rules, which are designed to keep the crop, a major food for waterfowl, from being wiped out by man. In Minnesota, for example, wild rice can be harvested only from 8 a.m. to 6 p.m. in canoes or round-bottomed boats not more than 16 ft. long and 36 in. wide (no outboard motors allowed.) Grain can be gathered only by flailing it with sticks (an estimated 85% falls back overboard to reseed the rice beds).

But Paulucci can do something about the harvesting methods and, thus, increase the size of the crop. Most of the professional "ricers" are Indians, especially Chippewas (pictures), who work in other seasons as guides and lumbermen. Paulucci recruits them in large numbers, transports them by airplane where necessary, supplies them by air, and flies the harvest out. He estimates he has bought more than one-third of the region's crop.



CHIPPEWA harvesters empty rice from canoes into sacks. Sometimes 400 canoes are working in a locality the same day.

INDIAN MAIDEN shows how it's done. With right hand, she pulls stalks over the canoe; then she beats grains off with a stick.



Yields Banner Crop for Gourmets



CHUN KING agent, far left, negotiates with Chippewas' spokesman at a one-room schoolhouse in Little Grand Rapids, Manitoba, which has only two white residents.



SACKED RICE comes in for the weighing and the payoff. A two-man team of harvesters can earn \$100 a day, \$1,700 a season.



VILLAGERS at Little Grand Rapids watch load of provisions depart by seaplane that supplies crews in harvest area.

India Makes Bid for U.S. Capital

With bars lowered for foreign investment, many deals with U.S. companies are in wind—but there still are problems.

In what amounts to a minor revolution in attitude, if not official policy, India is out to lure foreign private capital.

It is doing so on terms more favorable to Western businessmen than at any time since the country won independence from the British a decade ago.

New Delhi's main goal, though neither rigidly defined nor openly stated, is to attract U.S. capital. Delhi clearly wants it to play a significant role in helping India fulfill its floundering second Five-Year Plan and meet future economic needs.

• **Brighter Signs**—Signs of a brighter investment climate in India are showing up in many places:

- In India itself, stock issues of new companies tend to be over-subscribed, and stock ownership is spreading out. The country's five main stock exchanges, from Bombay to Ahmedabad, are handling a small, but growing, volume of transactions (picture). In addition, New Delhi and other cities will play host in December and early next year to a "private enterprise" exhibit, sponsored by the U.S. Dept. of Commerce and U.S. companies.

- From the U.S. end, companies are taking a second look at setting up Indian subsidiaries. Merck & Co. has just announced plans to build an \$8.4-million plant with Tata Sons Private Ltd. It will be India's second largest pharmaceutical company—and Merck will have majority ownership. Beyond that, the International Finance Corp. (IFC), affiliate of the World Bank, is examining over 10 deals, from chemicals to machinery, where it could invest funds jointly with Indian companies.

- **Test Case**—Since 1948, American companies and investors have put a piddling amount of money into Indian industry. Investments have doubled, from \$60-million to around \$120-million. But that's just a dribble compared to the U.S. capital that has poured into such places as Mexico and Brazil in the same period.

It's true that total foreign private investment in India is about \$1.4-billion. But nearly half is British money from the pre-independence period. And even the \$357-million rise in total foreign investments over the past three years is small compared to India's needs.



BOMBAY stock exchange—one of five main Indian exchanges—handles growing volume of transactions as India's investment climate brightens and stock ownership spreads.

Yet India is the main test case for Western-aided economic development in free Asia. "The situation today is very simply whether, in Asia, Communist China or free India will set the tone for the future," as West Germany's Economics Minister Erhard put it this week after a trip through south and southeast Asia.

Pres. Eisenhower also made the same point this week, in almost the same terms. He flew to Seattle to sell delegates from 18 free Asian countries—all members of the Colombo Plan for economic development—on the need for stepped-up private investment, both foreign and local. Reflecting India's new interest in luring private capital, he said that the resources of U.S. industry, financially and technically, are far larger than what the Administration alone can provide.

- **Change**—New Delhi's eagerness to get U.S. private capital—and its general optimism now—is quite a change from earlier this year when the country was sinking lower and lower under the burden of its ambitious, \$10-billion Five-Year Plan. New Delhi already had been drawing heavily on its sterling balances—funds earned from the British during World War II. Exports were falling, mostly because of the U.S. recession and its side effects elsewhere.

At the same time, the Indian political scene was in turmoil. The Communist election victory in the southwest state of Kerala was an indirect slap at Prime Minister Nehru's Congress Party. The Congress Party itself seemed to be creaking at the joints in

meeting local political and economic issues squarely. Nehru, evidently tired of the general dissatisfaction, threatened to take a prolonged holiday from his New Delhi office.

Then, the government, spurred by the serious foreign-exchange crisis and growing unemployment, snapped out of its lethargy. It eliminated unnecessary imports and slashed government expenditures. In a series of measures, it changed the picture for private capital by:

- Agreeing that foreign capital, working in partnership with Indian business, could hold a 51% controlling interest.

- Promising a tax holiday for new companies and working out pacts with West European countries to avoid double taxation.

- Calling a truce in the "cold war" between socialistic-minded government planners and private Indian businessmen. Right after independence, Indian businessmen often stirred resentment by abusing their new-found freedom. Soon, this resentment turned into suspicion of all private capital, foreign or domestic. But now the bad feelings have simmered down.

- **Deals in the Making**—As a result of this "new look," the vast Tata enterprise has arranged three deals in which a foreign company is the majority partner. First came the arrangement with Italy's Ceat S. P. A. to form a tire company, with \$8.4-million in authorized capital and 40,000 out of 115,000 shares offered to the general public. Next, Tata joined with Switzerland's

"The ultimate in shaving equipment requires the ultimate in presentation"

says Carl J. Begemann, Merchandise Manager, A.S.R. Products Corporation



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... continues Mr. Begemann. And as ASR's dealer presentation says, this package, made with rigid, transparent Celanese Acetate, is the "ultimate in packaging"—is exciting, eye-appealing, and modern—and it displays and sells razors. Celanese Acetate with its excellent aging characteristics, withstands heat, humidity and dryness in this application—retains its beauty and performs even under adverse conditions of shipping, long-storage, and display. And —it's economical.

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This "presentation case" is truly a worthy complement of the great new Gem Push-Button Razor ... sparklingly transparent and beautifully displaying the razor in the plushest of settings.

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If you are using, or can use, rigid transparent containers, contour covers, blisters, or point-of-sale displays, make sure they're made of eye-filling, sales-impelling Celanese Acetate.

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What are the hazards of coinsurance?

from the CLIENTS' SERVICE BULLETIN
of The American Appraisal Company

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Coinsurance offers a real inducement in that it may provide a reduction in rates ranging from 20% to 70%. The amount of the reduction depends upon such factors as type of construction, the nature of the occupancy, outside exposure hazards, and available fire protection. Coinsurance usually enables the property owner to purchase a greater amount of fire insurance for a relatively small increase in cost. To that extent it is a bargain.

It is important, however, to understand the coinsurance clause. Under it, the insured assumes an obligation to carry at all times an amount of insurance equal to a stipulated percentage of the actual cash value of his property. If he fails to do so, he shares in any partial loss in proportion to his deficiency. An 80% coinsurance clause does not mean that he will collect only 80% of any loss he may suffer. If he fulfills his obligation, he will collect in full on any loss up to the face value of the policy. If he does not carry out his obligation, he may collect substantially less than the actual cash value of his loss.

The property owner should know the actual cash value of his property at all times and be able to prove it. Since the property and its value fluctuate from year to year, and since compliance with the coinsur-

ance clause is determined on the basis of values at the date of the loss, he should check on his values at least once a year. By so doing, he can safely take advantage of the savings afforded by coinsurance.

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Hoffman-La Roche to build a \$4.2-million vitamin plant. The most recent deal is with Merck Sharp & Dohme International Div. (Last April, Merck also agreed to assist government-owned Hindustan Antibiotics (Private) Ltd. in operating a new antibiotics plant.)

There have been other straws in the wind pointing to new investment interest. Johnson & Johnson is going to build a plant. Parke, Davis is forming a new \$4.2-million Indian company. Kaiser industries is working with Birla Bros. in a new aluminum-manufacturing project. (General Motors for the past year has been selling trucks to Birla's Hindustan Motors for final assembly.) Westinghouse is negotiating to set up a plant to make X-ray equipment. Parsons & Whittemore is putting \$1.3-million into a paper-making plant.

Even New Delhi's nationalized Life Insurance Corp. has emerged as a major financier of new private companies and expansions of existing plant. For one thing, it underwrote \$1.2-million of the \$2-million-plus stock issue of Calcutta's National Carbon Co., the highly successful affiliate of Union Carbide.

• **Not Enough**—But if New Delhi economic planners seem more willing to fit private capital into India's growth, private capital still will hardly be enough to solve the country's huge financial needs.

Just two months ago, the U.S. and four other countries temporarily bailed out the Five-Year Plan with a new \$350-million credit. "A rescue operation" is the way Per Jacobsson, director of the International Monetary Fund, described the loan package.

But the Western countries may again have to rescue India, for the remaining foreign exchange deficit on the Plan between now and 1961 may run to around \$650-million.

• **Sobering Up**—What heartens Western observers, who in many cases are critical but still sympathetic toward India's problems, is New Delhi's recent "sobering up" in economic planning. Last week the government pruned—for the second time—its Plan goals by setting aside less important projects that would cost \$500-million. At the same time, a new \$54.5-million Refinance Corp. has begun granting loans to private Indian industry. (The Refinance Corp. uses counterpart funds from sales of U.S. farm products.) The government now seems to realize that it would do better on the economic front by consolidating, rather than expanding; by making better use of existing plant facilities, rather than diving into ill-conceived new projects.

But it's not just the desire to get credits or private capital from the West that has sobered New Delhi. It's also the shock effect of recent events in



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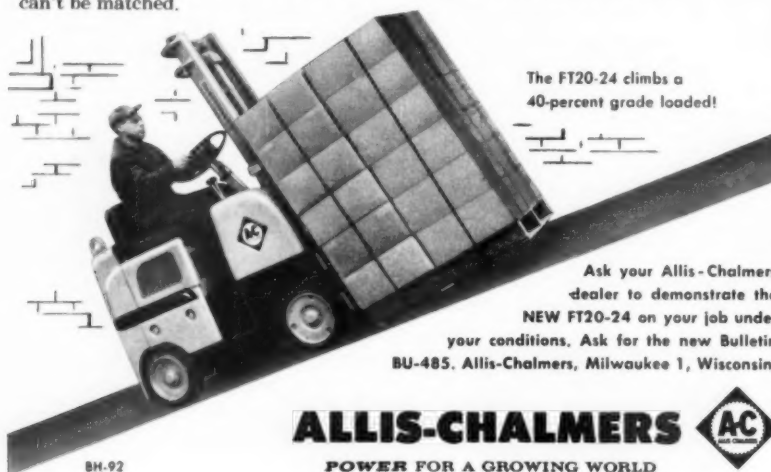
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BH-92

other Asian countries. After the generally democratic governments in neighboring Pakistan and Burma gave way to military dictatorships last month, Indians began asking: "Can this happen here?" And some Indians sounded as if they hoped it might happen.

Then, India's Agriculture Minister returned from Peking with glowing statistics about Red China's 1958 harvest. His report came on top of disappointment over India's snail-paced progress in pushing agricultural development.

What all this adds up to, is growing impatience with the slow processes of democracy. It reflects the feeling that Delhi is planning too much for the future, not enough for the present.

Against this backdrop of troubles, private business seems to be gaining in stature. That's true on the political, as well as economic, front. Looking ahead, some Indians see this picture: The eclipse of the Socialist parties, the decline in power of Nehru's Congress Party, the Indian voter faced with the unpleasant choice of growing Communist control or, as in Burma and Pakistan, an army takeover. Thus, they look favorably on signs of a "right-wing" political movement, primarily sponsored by business.

• **Words of Caution**—In any case, some top Washington officials who have studied India recently are cautious in their optimism about the future for private capital there. Here's what they say:

Indian official prejudice against private investment has deep roots, dating from British rule. While it's true that the Indian civil servant is well-educated, he doesn't necessarily have the qualities of a good businessman. Most Indian businessmen, they point out, have been more interested in sharp trading than in producing new wealth. This, of course, will change as a new generation begins to achieve positions of power. But the change will be slow.

Washington officials note, too, that despite India's interest in private capital, domestic laws give the government virtually unlimited powers over private enterprise. Businessmen have little legal protection, and to a large extent are dependent on the government's whim. Thus, as these officials point out, U.S. businessmen are bound to proceed cautiously.

Also, while New Delhi gives short-run tax breaks to new companies, the long-term tax burden can be "crushingly heavy." And the returns on investments—though usually 6% or above—are not high enough to compensate many U.S. and foreign investors for the risks involved.

But—as both Washington officials and businessmen readily admit—the Indian government is showing "greater realism" than ever before in its treatment of foreign private capital. **END**

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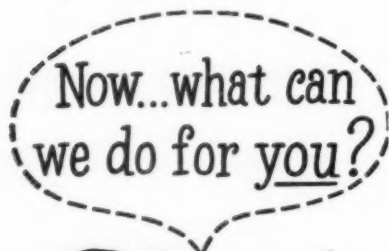
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TECHNICAL PAPERS FOR INDUSTRY

In Business Abroad

. . .

U.S. Firm Finds Lush Field in Canada For Sale-Leasebacks in Real Estate

Canada frequently frets over huge U.S. investments in Canadian industry. It complains that too much capital comes in on a get-rich-quick basis, or that the U.S. controls sizable segments of Canadian industry. Overlooked in this on-and-off squabble is Canada's open-door eagerness to attract long-term U.S. investments in real estate.

One company that has taken the invitation to heart is Tankoos & Co., New York. In only three years' operation, Tankoos Yarmon Ltd., its Toronto affiliate, has played broker in \$70-million worth of sale-leaseback transactions from Montreal to Vancouver. This week it added a \$15.5-million deal with F. W. Woolworth Co. Ltd. to the list by buying 10 Woolworth properties with U.S. money and then leasing them back to the retail chain.

Tankoos has helped spread the U.S. concept of sale-leasebacks throughout Canada. It has handled the 21-story Royal Bank Building in Toronto, Canadian Petrofina service stations, offices and warehouses for Frigidaire and du Pont, and even apartments and shopping centers.

What are the attractions? Tankoos points out that in Canada there's no capital gains tax. Yields on real estate investments tend to run higher than in the U.S. And the tax bite on inheritances partly invested in Canadian real estate by U.S. businessmen is not so big, now that Ottawa has passed the Estate Tax Act imposing a flat, rather than graduated, tax of 15%.

. . .

American Group Reported Likely to Get A Share of Brazil's Ship Contracts

Brazil has opened private bids for contracts on a \$400-million, 10-year program to modernize its merchant marine. The winners won't be announced for a fortnight, but at midweek three groups of private investors were reported to have the inside track:

- An American group, headed by Dr. John McMullen, president of a Hoboken (N. J.) shipyard, and formerly an official of the U.S. Maritime Administration.

- A Japanese group led by Ishikawajima Shipping Co.

- A Brazilian group formed by Sao Paulo and Rio de Janeiro financiers.

. . .

Business Abroad Briefs

Electricidad de Caracas—Venezuela's largest utility—has ordered four \$2.5-million 60,000-kw. turbine-generator units from Westinghouse Electric International Corp. and International General Electric as part of its \$120-million five-year expansion program.

Boston's Godfrey L. Cabot, Inc., and the Royal Sulphuric Acid Factories, Amsterdam, Holland, will found a new joint company, Ketjen Carbon, N. V., and build a \$3.5-million carbon black plant near Rotterdam. Production is planned at 13,000 tons annually.

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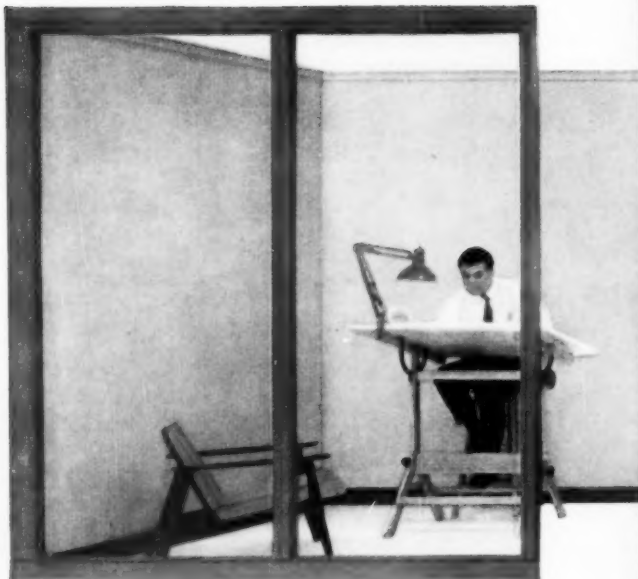
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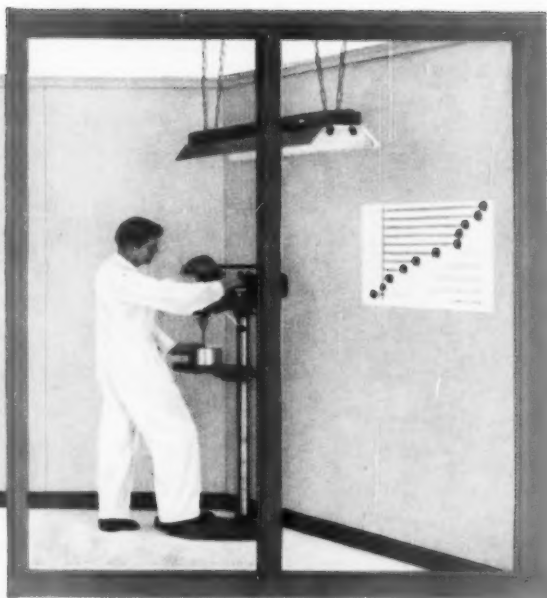
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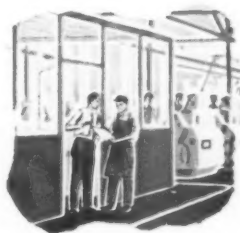


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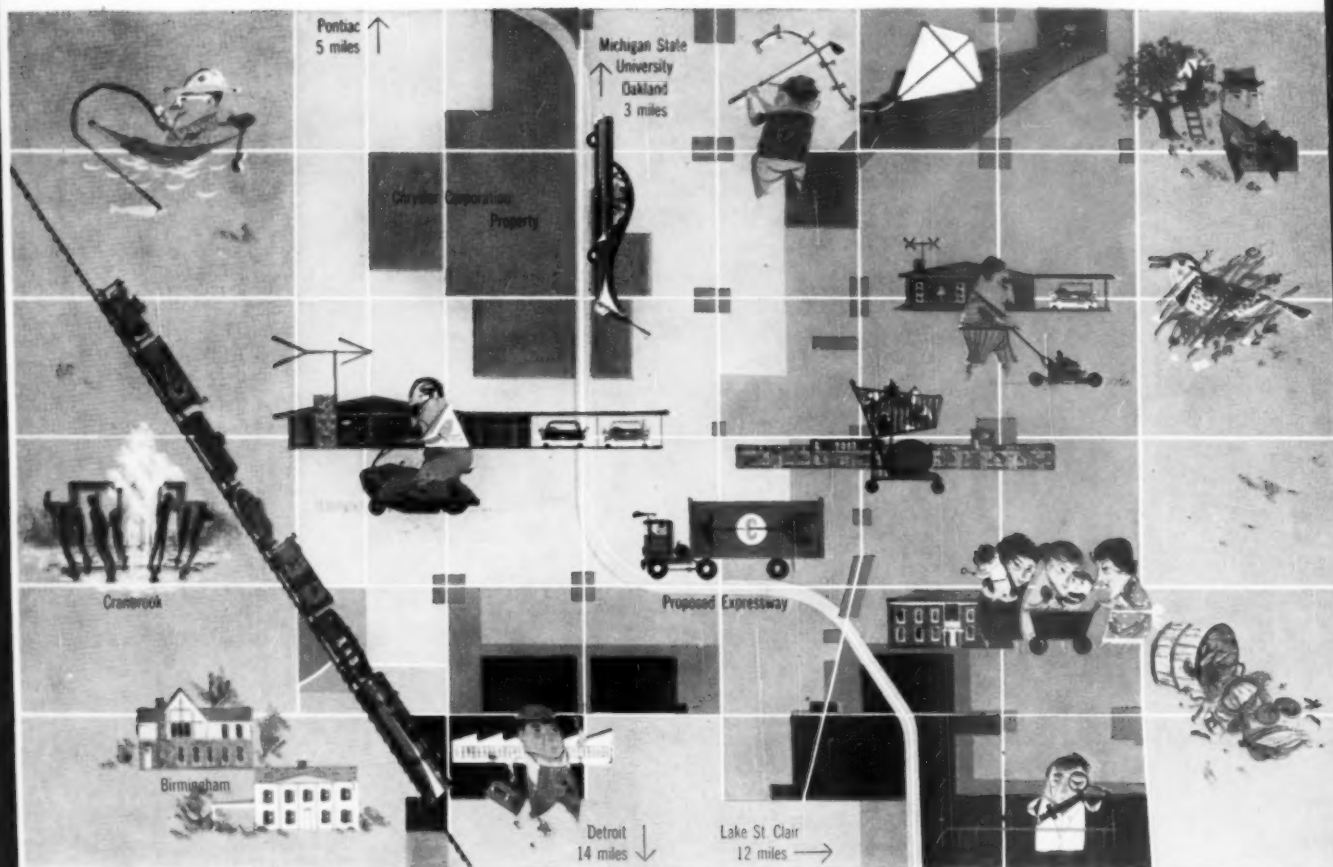
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light manufacturing, incorporating an area zoned for research, engineering and related industries.

Just to the north is the site of the new Michigan State University Oakland campus. To the south, within the city limits, are the new Vickers, Inc. plant and the Ford Tractor plant.

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

NOV. 15, 1958



NATO is facing some sticky problems this fall—sticky enough to put real strains on the alliance.

There's no collapse of confidence in the U.S. as there was last year, after the Russians launched their Sputnik. But NATO now has to meet a new Soviet threat to Berlin and the danger of an economic split within Western Europe itself. Some of our allies already feel that Pres. Eisenhower will be needed at NATO's annual December conference, just as he was a year ago.

Communist pressure on Berlin can't be taken lightly. This week Soviet Premier Khrushchev said that the U.S.S.R. would forget the Potsdam agreement, turn over its administrative powers to East Germany's Communist government. Under these powers, Soviet forces now control Western supply lines running to West Berlin through 100 miles of Communist territory.

If Khrushchev carries out his threat, the Western powers would face a tough choice—one that might divide public opinion both here and across the Atlantic. Britain, France, and the U.S. would either have to deal with the East German control authorities and thus recognize the Communist regime, or run the risk of another blockade.

It is unlikely that Khrushchev will force a sudden showdown in Berlin, as Stalin did 10 years ago. But by December NATO clearly will have to discuss this new Communist thrust. For Khrushchev can be expected to keep probing at Berlin in much the same way as Red China has been probing at Quemoy. In the case of Berlin, of course, the Communists can start a crisis without shooting. But Pres. Ulbricht of East Germany already is saying that the issues in Berlin and Quemoy are the same.

If East German controls are enforced by gradual steps, the Berlin problem could be even tougher to handle than it was in 1948-49. Don't forget that the Russians won't be directly involved this time. So the issue won't look so much like an open test of strength between Washington and Moscow. All that might appear at stake would be the de facto recognition of the East German government.

A different kind of threat to NATO is coming from inside the alliance. London and Paris are battling over the Free Trade Area scheme. This would attach Britain and a number of other countries to the six-nation Common Market.

Paris is refusing to make any concessions to London. French industry already is anxious about competition from the other Common Market members. It doesn't want to increase its problems by opening up the French market to Britain and the other FTA nations.

If the deadlock can't be broken, there's a real danger that the European Payments Union and the Organization for European Economic Cooperation will fall apart. And that could break up Western Europe's political unity.

So far de Gaulle has refused to throw his weight behind a compromise with London. He seems bent on getting British agreement to a larger French role in NATO before he makes any concessions on the Free Trade Area.

There may be no way of breaking the FTA deadlock until the NATO

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

NOV. 15, 1958

meeting in December. For de Gaulle must get an American O.K. for his NATO ambitions, as well as approval from Britain. And any change in the NATO setup would also have to be cleared with West Germany and the smaller NATO powers.

—•—

Iraq is looming as the West's No. 1 trouble spot in the Middle East. The danger—a very real one, according to U.S. observers—is a gradual Communist takeover. This threat overshadows worries about neighboring Jordan, where King Hussein faces increasing pro-Nasser pressures.

Iraq is fertile ground for Moscow-directed Communist subversion.

There's deep political unrest. Premier Kassem is barely holding his own against Nasser sympathizers, despite his arrest of their leader, Col. Aref. Tension between the United Arab Republic and Jordan is encouraging pro-Nasser forces in Baghdad.

Kassem's coolness toward any Western influence isn't helping, either. He's playing a cat-and-mouse game in dealing with the West's military and economic aid programs in Iraq. Many companies working on Iraqi development projects have turned sour and, in some cases, pulled out.

Meanwhile, unemployment is rising. And the Arab masses don't see noticeable benefits coming to them from Kassem's economic reforms.

Moscow is following a divide-and-conquer policy to win over Iraq.

It's building up an Iraqi Communist party, modeled after the extremist Tudeh party in Iran. It's backing violent nationalists, too. Moscow's apparent aim: cut Baghdad's economic ties with the West, prevent a Baghdad-Cairo political alliance, then move in with a large economic-aid program.

Nasser's way out seems to be a military coup in Iraq. If successful, it could lead to suppression of the Communists there. But that would also amount to a complete break between Cairo and Moscow.

The West, at the moment, is on the sidelines—hoping for the best. The British hope Kassem will hold the Communists in check. Some U.S. observers believe that Nasser may "make up" with Kassem and help his government stave off the Communists.

Meantime, the State Dept. is bolstering U.S. "military guarantees" to Turkey, Iran, and Pakistan—all members of the Baghdad Pact.

—•—

In Argentina, Pres. Frondizi's honeymoon is over. He took office last May and made oil development his first goal. He succeeded in lining up U.S. and West European oil companies in a \$1-billion deal to help Argentina develop its own oil fields.

Now the old sores—violent nationalistic feelings over oil and unrest among pro-Peron labor groups—have opened again. Frondizi is depending on the armed forces to keep order. At midweek, he declared a state of siege. That may bring dangers to the government. But if Frondizi gives in to labor's demands, he would be encouraging the many followers of ex-dictator Peron.

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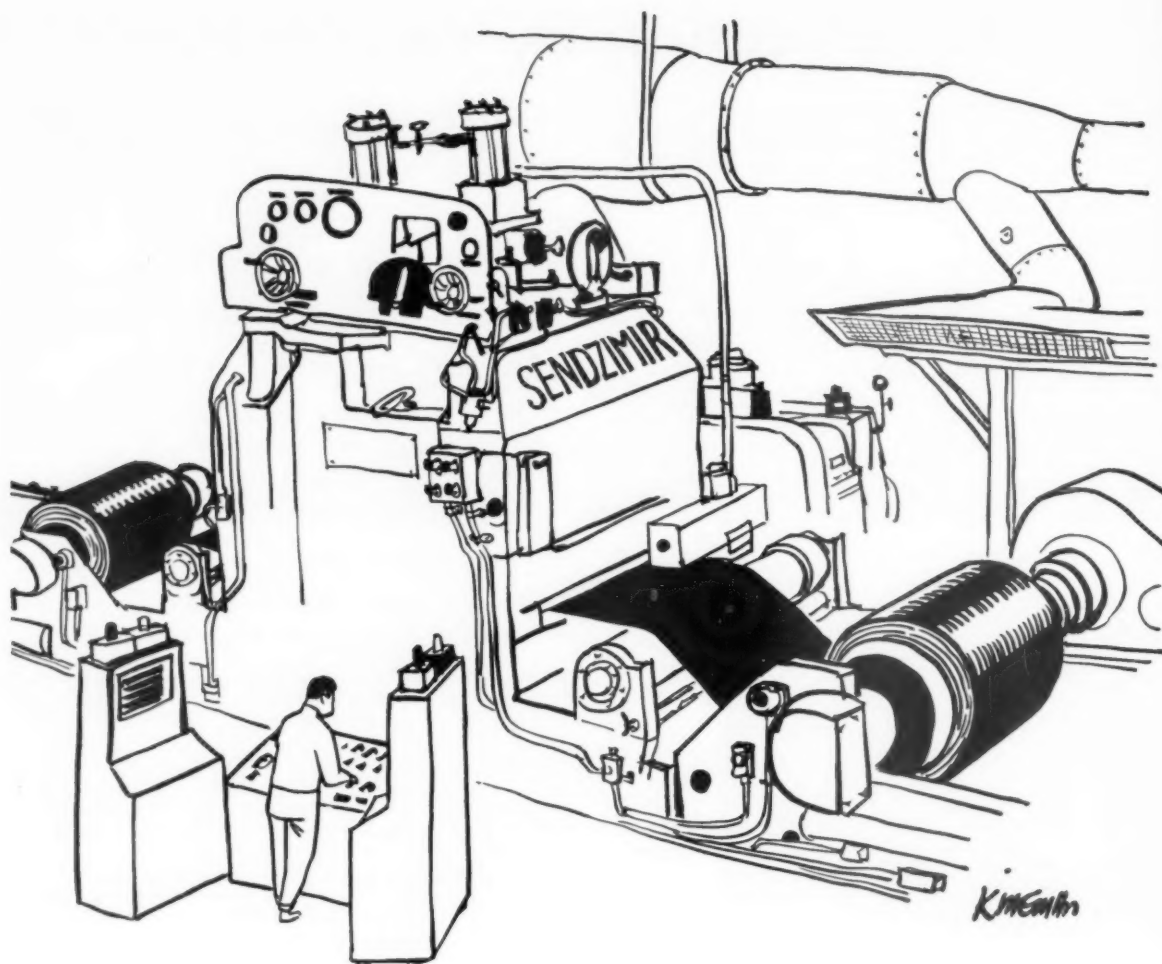
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LABOR

Labor Sets Goal for Congress

● Union leaders are riding high, with the last election apparently giving them a vote of confidence. They won't hesitate to remind Congress of the election results.

● Their prime goals: (1) a rewriting of Taft-Hartley, chiefly to remove the legalization of state right-to-work laws, and (2) a "constructive" labor reform measure.

● AFL-CIO also wants to push social welfare legislation and to soft-pedal investigations of union affairs.

Labor leaders interpret last week's Democratic victory as a public mandate to Congress for "bold forward steps . . . for broad progress on the social welfare front." They acknowledge "some important strides" in recent sessions of Congress. But, they say, much has been left undone.

When the 86th Congress convenes early next year, the AFL-CIO will present to it labor's most ambitious legislative program in years. The federation hopes for major legislative gains in labor and social welfare fields. It is counting, strongly, on the effects in House and Senate of the victories scored by union-supported candidates in the Congressional election.

• **A Payoff?**—But will there be a payoff for the unions' political efforts? It appears that AFL-CIO and its unions may be in for a big disappointment. Unions undoubtedly will make some legislative gains in 1959, but these are likely to be far short of labor's "liberal and progressive" program.

The executive council of AFL-CIO last week outlined this program:

• In the labor field, AFL-CIO wants extensive rewriting of the Taft-Hartley Act—among other things, to void state right-to-work laws—and a "constructive" labor reform measure. These are top-priority objectives.

• Otherwise, AFL-CIO wants action on "long overdue" social welfare matter. These will include a higher minimum wage, a broadening of the coverage of the Fair Labor Standards Act, aid for distressed areas, "improved" social security and unemployment compensation programs, tighter civil rights guarantees, and "progress" in the fields of education, housing, and agriculture.

Most of the social welfare proposals are an echo from 1957 and early 1958. Unquestionably, labor—with its constantly broadening interests—will push seriously this part of its program. AFL-

CIO Pres. George Meany made that clear to reporters last week. But he left no doubts that labor's primary targets for 1959 will be T-H changes and a labor reform law.

• **Overhauling T-H**—The present federal labor law was passed in 1947. Only minor changes have been made since then. According to Meany, "Any piece of legislation on such a complicated thing as labor-management relations needs overhauling when it's been on the books as long as 11 years."

In what way? Well, said Meany, the law's Section 14(b) which permits states to bar union shop contracts should be repealed (BW—Nov. 8 '58, p. 30). The T-H non-Communist affidavit requirement should be abolished. The status of such economic weapons of unions as the secondary boycott and picketing should be clarified. And—very importantly, Meany said the provisions that allow "strikebreakers" to vote in representation elections, while barring strikers, should be eliminated.

The object is to bring the Taft-Hartley Act "into line with industrial realities," the AFL-CIO president explained. Reminded that labor not too many years ago insisted that the law must be repealed, not amended, Meany replied: "Well, we're not asking for that now."

• **Reforms**—Although the AFL-CIO has taken major steps against labor racketeering and corruption and will continue to do so (page 120), "sound, constructive, and necessary legislation" should be adopted by Congress early in the next session, Meany said.

What labor wants is "legislation . . . patterned along the lines of the Kennedy-Ives bill of 1958, but which will omit certain unduly restrictive and unworkable sections written in haste on the floor of the Senate." A committee of Meany, Walter Reuther, George Harrison, and A. J. Hayes will draft

AFL-CIO's specific reform proposals.

In this area, Meany sees "a favorable prospect for legislation in an atmosphere less political than it was this year, with the election coming up."

• **Meany on Costs**—AFL-CIO's social welfare proposals would jolt the national budget, if they were adopted. The federation's economists haven't estimated the cost but Meany acknowledges that it would be very substantial.

"I don't have the same fear of inflation as some of our economists—probably because I'm not an economist," he told reporters. "The bugaboo of inflation mustn't be held up to stop the progress of our dynamic economy."

"Cynical politicians believe otherwise," he said, but added: "All I can say about them is that there will be fewer of them in the next Congress."

• **"Exciting" Prospect**—In the eyes of Meany and the AFL-CIO executive council, there is an "exciting" prospect of action on a "liberal and progressive" program in the 86th Congress.

However, the session might turn out to be more frustrating than exciting.

I. The 86th Congress

Labor's hopes for an "exciting" session are based on the results of the 1958 election. According to the unions' scorecard:

• Labor backed 25 out of 32 winning senators.

• It supported 70% of the successful candidates for House seats.

• It was on the side of 17 of 23 who were elected as governor.

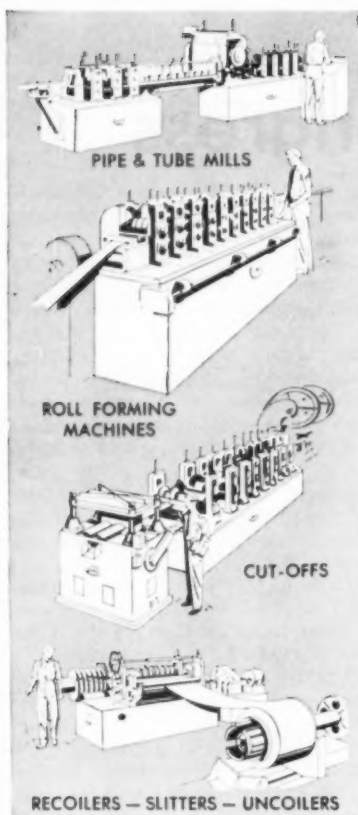
• It was the decisive factor in defeating five right-to-work proposals.

• And it had major successes in state assembly elections—with sufficient gains to affect the trend of labor legislation in some states.

Altogether, labor figures its political batting average for 1958 at a rousing .685—a record certain to catch the eyes of politicians.

• **Roadblocks**—In a pre-election analysis of the 85th Congress, AFL-CIO listed 190 "friends" in the House, 41 in the Senate. The federation said this was short of a majority but a "good showing" that was reflected in some gains—higher social security, more funds for the National Labor Relations Board so that it could extend its jurisdiction, federal loans to extend unemployment compensation, and compulsory reporting on welfare funds.

The gains made in the election last week will give labor an indicated ma-



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majority of Congress. On paper, the way would appear to be clear for progress on what AFL-CIO calls "the work left undone." But some key roadblocks appear to be in the way of legislative successes. An important one is the fact that southern Democrats and Republicans can still form a potent coalition. And, there are others equally important:

- Democratic leaders, Sam Rayburn in the House and Lyndon Johnson in the Senate, are significantly silent about plans to include Taft-Hartley Act revisions in their legislative goals for 1959. Labor reform proposals are high on their list, however. Despite predictions that the Democrats' sweeping victories will mean a "spending" Congress, there is yet no indication that much of the AFL-CIO social welfare program will get winning support.

- The Senate Labor Committee, while it will be heavily liberal, will have a southern Democrat, Lister Hill of Alabama, as chairman. This could slow down any runaway ideas of labor legislation. On the other hand, Sen. John Kennedy (D-Mass.), one of the most active members of the committee, undoubtedly will press for reforms.

- The House Labor Committee will include more liberal Democrats next year—replacing three conservative Republicans, Ralph Gwinn of New York, Donald Nicholson of Massachusetts, and Harry Haskell of Delaware. But it will still have Rep. Graham A. Barden (D-N.C.) as chairman—and Barden has held tight checkreins on labor legislative proposals in the past. Nevertheless, Meany said last week that AFL-CIO expects to "get legislation out of the Barden committee; we've made some progress through Barden before—though it has been difficult at times, I'll admit."

- Even if labor measures pass through the House and Senate, they could run into snags at the White House. For instance, President Eisenhower will almost certainly veto any bill to amend the Taft-Hartley Act if it includes a federal ban on state right-to-work laws—as labor says it should. Too, the President was outspoken against the Kennedy-Ives reform proposals during the campaign, and he might reject any Congressional action based on them. Pro-labor forces would find it hard to get an overriding two-thirds vote.

- **Mitchell's Role**—AFL-CIO blames a "lack of effective leadership by the Administration" for its failure to make bigger legislative gains in the 85th Congress. The tone of the President's remarks on labor during the campaign this year gave the unions little or no hope of greater cooperation.

Still, there seems to be some belief that "political realities"—the necessity

of adjusting to the public sentiment indicated in the Democratic sweep—will bring about a shift from criticism to conciliation in the White House.

If this shows up, it will be through Labor Secy. James P. Mitchell. Although AFL-CIO has had its quarrels with Mitchell, and will continue to have, Meany and others in labor leadership are inclined to consider him a friend in the Administration (BW—Oct. 18 '58, p154).

During the campaign, Mitchell blasted the Kennedy-Ives proposal as "ineffective," and he presumably stands in the way of any modified reform measure that would be less severe on unions—and, therefore, more acceptable to them.

Still, AFL-CIO believes its four-man planning committee can work out a bill satisfactory to Mitchell and labor, and therefore virtually assure its passage.

II. An End of Probing?

AFL-CIO deliberations at its executive council meeting in Washington last week showed a continuing concern over the racketeering and corruption charges still being heard against labor. At the same time, the council indicated growing dissatisfaction with the Senate investigating committee headed by Sen. John L. McClellan (D-Ark.)

Up to now, the AFL-CIO has backed the committee, with a minimum of criticism, and has used its revelations as the basis for clean-up moves against affiliated unions. Now, there's some new thinking on the continuing usefulness of the committee.

Many members of the council feel that the McClellan committee has served its purpose and should be allowed to go out of business next Jan. 31. Now, they contend, instead of directing attention on problems that should be recognized and resolved, the committee is "only digging up dirt," as one AFL-CIO spokesman put it.

- **Hard Decision**—Because of the racketeering cloud that hangs over labor, union strategists feel that it would be difficult to advocate the end of the investigating committee without substituting another effective means of uncovering and acting against abuses.

Their suggestion, of course, is a control measure that would substitute quiet checking for public hearings.

The four-man committee on labor's reform proposals will make the final decision on whether AFL-CIO will (1) oppose the continuation of the McClellan committee in its present form for another year, (2) campaign to end it completely, or (3) urge its continuation as a committee set up on party lines instead of with its present "special" structure of four Democrats and four Republicans. **END**

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Carpenters Back Hutcheson

Vote of confidence at St. Louis convention this week gives officers full power to "preserve the union" in the face of investigations by Congress, Indiana, and AFL-CIO.

The Brotherhood of Carpenters & Joiners this week empowered Maurice C. Hutcheson, its president, and other executive officers to "take whatever steps that might be necessary to preserve the union," which is under scrutiny by Congressional committees, Indiana law enforcement bodies, and the AFL-CIO.

The scrutiny is focused particularly on Hutcheson, who took over the Carpenters' presidency in 1951 from his father, the late William C. "Big Bill" Hutcheson. His problems include:

- An indictment in Indiana for allegedly conspiring to "bribe" a state official in a highway land deal.

- A citation for contempt of Congress for refusing to answer questions by the Senate investigating committee headed by Sen. John L. McClellan.

- And an urgent "invitation" from the AFL-CIO executive council to appear before it no later than next February to explain "a number of things" that appear to be violations of its codes of ethical practices.

- On Notice—Earlier this fall, the AFL-CIO told Hutcheson that charges touching on his personal activities would be brought up before the executive council at its November meeting. Just before the two-day session, Hutcheson notified the council that preparations for the Carpenters' 28th quadrennial convention would keep him in St. Louis. He sent a written defense against the charges.

Other members of the council were plainly irked by his failure to appear.

As union heads, they had to respect his excuse of pre-convention business. But, they rejected his written explanation. AFL-CIO Pres. George Meany commented that the council wants "Hutcheson to appear personally, so if we have questions, we can ask them."

Although the council extended the time for Hutcheson's appearance to its next scheduled meeting, in Puerto Rico in February, it pointedly suggested that a special council meeting could be called on one-week notice.

- Dirtiest Spot—The charges against the Carpenters are now considered the gravest problem facing the federation in its clean-up campaign. Generally, AFL-CIO claims "considerable progress" toward clearing up abuses.

AFL-CIO ousted the Teamsters, its largest union, and several smaller organizations. As a result of crack-

downs against a number of others.

- The Hotel & Restaurant Employees, the Meat Cutters & Butcher Workmen, and the Operating Engineers have now satisfied the council, according to Meany, that "they are moving in the direction of complete compliance" with AFL-CIO orders.

The three unions drew criticism in McClellan committee proceedings.

- The United Textile Workers and the Distillery Workers, which the McClellan committee also accused of abuses, are now being run in a "completely satisfactory way."

- One union, the Jewelry Workers, is up before the AFL-CIO Ethical Practices Committee. There are "serious questions" about its activities that must be answered if the union is to stay in the federation.

- Moving With Care—Until the Carpenters situation came up, AFL-CIO was breathing easier. It had come through the critical break with the Teamsters in much better shape than anyone had really expected. Other cases before the council weren't serious or involved only small groups. Then the charges raised against Hutcheson created new anxieties.

The Carpenters and the Teamsters have been close in the past, and there are recurring—but unconfirmed—reports that if AFL-CIO eventually cracks down on the Carpenters, an alliance with the Teamsters will quickly follow.

Possibly because of this, the federation has been moving slowly and cautiously in the Carpenters case. Spokesmen explain there's less of the urgency that prompted fast and uncompromising action against the "besmirched" Teamsters. They add that there is a general inclination against forcing issues until Hutcheson has had his Indiana and Senate contempt trials.

Privately, though, they admit that the federation doesn't want to risk a loss of another big union, with roughly 850,000 members, and further strain on craft union relations with AFL-CIO.

- Unworried—Hutcheson isn't worried about AFL-CIO action against him and the Carpenters. He professes "complete innocence" of the charges against him.

Hutcheson's opening address at this week's convention, urging delegates to read his printed defense against all charges, brought warm applause from the convention's 2,085 delegates. A telegram from Meany was booed. **END**



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Supreme Court . . .

. . . rules construction workers can't use travel costs as tax deduction, upholds court-ordered arbitration.

The U.S. Supreme Court this week acted on a number of labor cases involving disputes over tax policies, picketing, and arbitration.

- The high court ruled against tax deductions claimed by workers employed away from their home communities.

- It agreed to review a state court injunction against peaceful picketing.

- And, by refusing to take up employer appeals, in effect, it again upheld court-imposed arbitration of labor disputes.

- **Tax Case**—In the tax case, three construction workers employed on a project away from their homes lost a test case that claimed tax deductions for travel and living expenses. Lower courts had split on whether the workers, employed for periods of eight to 20 months at a distant job site, could take the tax credit.

By a 6-3 vote, the high court said the only issue was one of fact: Was the away-from-home employment "temporary" or "indefinite"? Under previous tax rulings, deductions for travel and living expenses are allowable only if the employment is "temporary." In the construction workers' case, the U.S. Tax Court held the facts showed "temporary" work away from home. Subsequently, a U.S. Court of Appeals ruled the employment was "indefinite" and disallowed the deductions.

In an unsigned ruling, the Supreme Court majority refused to interfere with the Court of Appeals factual conclusion, saying it was made on a "fair assessment of the record" and involved no new legal principle. The three dissenters, led by Justice Douglas, felt the workers had met all the conditions necessary to qualify for the deduction.

- **Picketing**—In the picketing case, the court agreed to decide whether states may enjoin picketing by unions directed at nonunion employers hired by state or local governmental agencies.

The issue is a Wisconsin Supreme Court injunction against picketing by a Plumbers local. The union picketed to protest the presence of a nonunion plumbing contractor on a building project at the Door County (Wis.) courthouse. Other unions employed at the site refused to cross the picket line.

The union contends that the National Labor Relations Board has exclusive jurisdiction over such disputes, and that the state court could not inter-

vene with an injunction. The state argues that since the county is a subdivision of the state, NLRB has no jurisdiction.

- **Arbitration**—The court again refused to hear cases designed to limit the situations in which courts may enforce arbitration agreements in collective bargaining contracts.

In one case, an employer sought to avoid court-ordered arbitration of its discharge of several workers for strike activities, on the grounds that the NLRB has exclusive jurisdiction over such disputes.

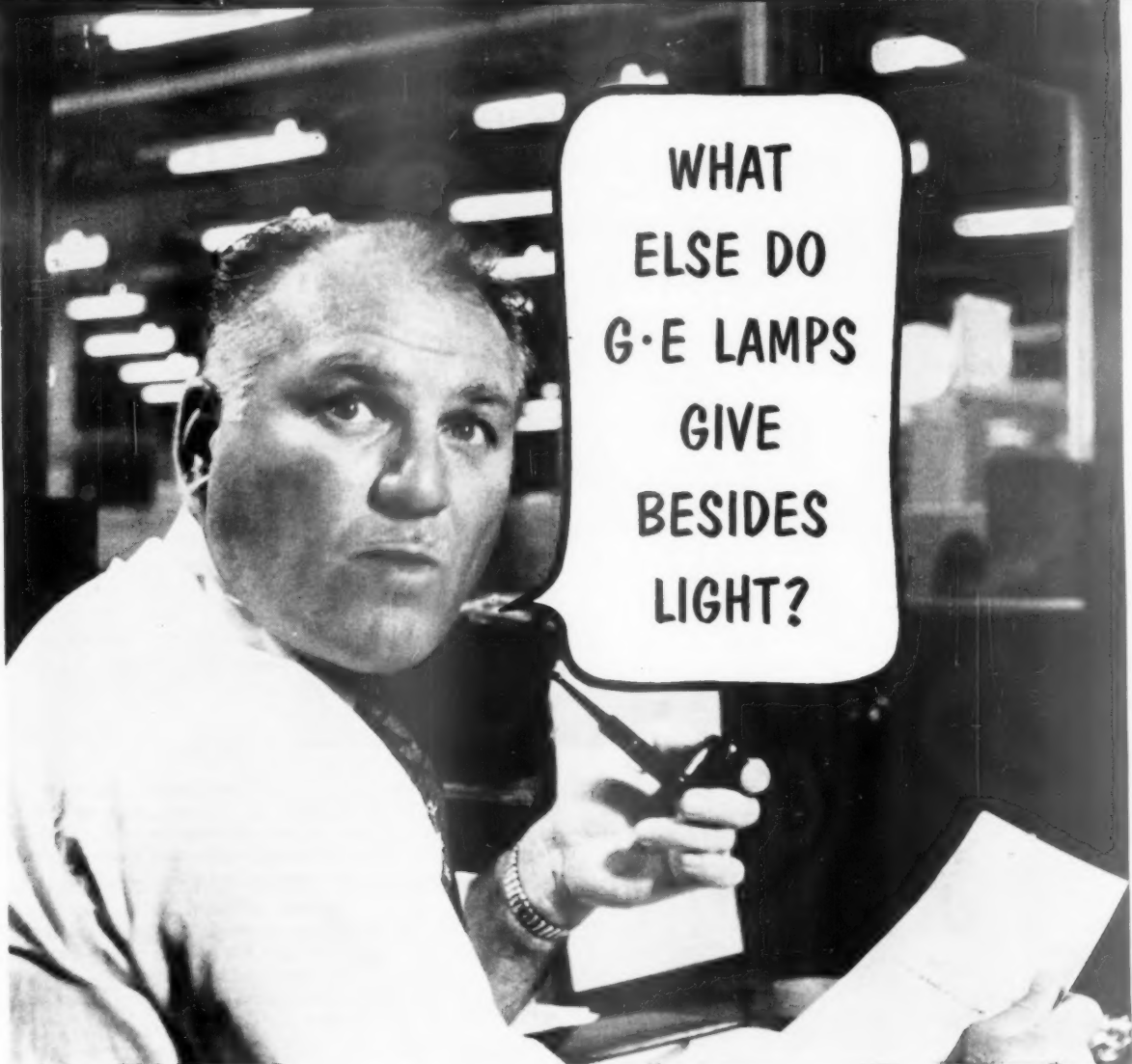
In a second case, an employer objected to arbitration ordered by the Pennsylvania Supreme Court under a state arbitration law, arguing that the Taft-Hartley Act—by giving federal courts authority to enforce arbitration agreements—precludes enforcement of arbitration under state laws.



George Lodge Takes Wilkins' Labor Post

Pres. Eisenhower last weekend named George Cabot Lodge, director of information for the Labor Dept., as Assistant Secretary of Labor for International affairs. Lodge will succeed J. Ernest Wilkins, who resigned. The new assistant secretary, 31, is the son of Henry Cabot Lodge, chief U.S. delegate to the United Nations. As a special aide to Wilkins, George Lodge has been active in the department's international program.

He will be succeeded as director of information by Roger C. Kennedy, 32, a former NBC radio and television news commentator, now executive director of the Dallas Council of World Affairs. He has served for short periods as special assistant to the U.S. Attorney General and to the Secretary of Health, Education & Welfare. **END**



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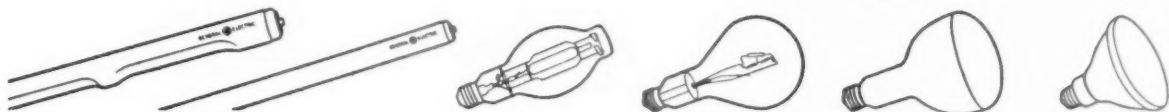
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In Labor

• • •

National Right-to-Work Committee

"Disappointed" but Will Fight On

The National Right-to-Work Committee intends to stay in business despite the "naturally disappointing" defeat of referendum proposals in five of six states in which the issue was raised last week (BW—Nov. 8 '58, p30). The committee had hoped for victories in at least three states, but won only in Kansas.

"We lost because there hasn't been a sufficient amount of educational work," William T. Harrison, the committee's executive secretary, said in Washington after the setback. "People don't know what our fight for 'voluntary unionism' is about."

Activities are now centered in Illinois, Louisiana, Wisconsin, Wyoming, Maryland, Connecticut, Delaware, Rhode Island, and Michigan. Harrison expects that "eventually" voters in most of these states will get a chance to vote on right-to-work laws.

The committee also is girding for a fight against efforts to void laws now in effect in 18 states.

• • •

Medical Association Head Deplores

Rules Forcing Workers to Quit at 65

Employment policies that require compulsory retirement at 65 or 70 should be scrapped, the president of the American Medical Assn. told the annual meeting of the National Gerontological Society in Philadelphia.

Dr. Gunnar Gunderson deplored the "growing tendency" to make retirement mandatory at 65.

The AMA president said that arguments that older workers aren't so productive as younger ones are "fallacious—an alibi for arbitrary retirement policies."

The older worker "may have lost some of his agility, but (studies show) his experienced knowledge and his greater incentive more than compensate for this. In fact, he is often a better worker than the younger employee."

• • •

Canadian Steel Strike Is Settled

For 26¢ in Raises Over Three Years

A strike by the United Steelworkers against the Steel Company of Canada, Ltd., ended last week, after 83 days. The settlement means wage increases averaging 26¢ an hour in a contract that runs to August, 1961.

Stelco, one of Canada's major producers, fought hard to limit the raise to 5¢ in a 16-month contract. The union originally sought 33½¢ over a two-year period. Last month, USW won from the Algoma Steel Corp. a 24¢, three-year contract that also included "fringe" increases costing 3¢ an hour. The higher raise in the Stelco

agreement brings that company's average rates up to those at Algoma.

The 12-week strike cost Stelco an estimated \$90-million in lost production, the 8,000 strikers an average \$1,126 each in wages.

After its settlement, Algoma raised its price for structural steel about \$4 a ton. Stelco is expected to do so, too.

• • •

White-Collar Strike Over Contract

Cuts Production in Chrysler Plants

Chrysler Corp. output was hampered at midweek as 8,000 white collarites represented by the United Auto Workers struck over contract terms. UAW moved quickly to minimize the impact on 70,000 Chrysler production workers, but operations were shut down or curtailed at several plants.

Chrysler and UAW signed a contract in September covering plant workers. Office and other salaried groups, pressing separate demands, failed to reach a settlement with Chrysler in subsequent bargaining. They struck to enforce demands for areawide seniority, an automatic pay progression stepup, narrowed wage differentials.

• • •

Glass Workers Win 16¢ in Raises

The United Glass & Ceramic Workers and four glass companies wound up quiet negotiations in Miami Beach last week with a two-year contract giving 16¢ an hour in raises—8¢ this year, retroactive to Nov. 1, and the same amount in 1959. The pact, which covers 2,500 workers, also provides increased pension benefits.

• • •

AFL-CIO Is Satisfied With Rockefeller

The election of Nelson Rockefeller as governor of New York has given AFL-CIO Pres. George Meany an opportunity to point out that labor isn't exclusively tied to the Democrats.

Most unions in New York supported Gov. Averell Harriman for reelection, Meany told reporters. But, he added, "Rockefeller got a great many labor votes—and nobody feels too sorry he got elected." Rockefeller's "progressive and liberal viewpoint" and the "good experiences" unions have had with him in the past make him "the kind of man we like to see in office—Democrat or Republican," Meany said.

• • •

Anti-Featherbedding Law Defeated

Arkansas voters last week rejected a referendum that would have outlawed "make work" rules on railroads in the state. Now, an extra brakeman required on trains operating in Arkansas costs the Missouri Pacific, alone, \$1-million a year. The proposal that would have voided this requirement (BW—May 31 '58, p41) set off a hot fight between rail management and unions—and labor won.

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Confusion Over Unemployment

● It was down last month, but even with business recovery under way it seems paradoxically sure to rise again.

● But actually, unemployment has dropped faster this time than in two previous postwar recoveries.

● Seasonal winter factors will push joblessness up again—but a GNP gain that would bring unemployment down to "normal" 4% now seems within shooting distance for 1959.

The businessman trying to get a fix on what's happening to the economy is having the toughest time of all making sense out of the news about unemployment. How do you straighten out these peculiar and—apparently—paradoxical developments?

- Total unemployment dropped to 3.8-million in October from its postwar peak of 5.4-million last June.

- But new claims for unemployment insurance are rising, and many economists think unemployment may get up close to 5-million again by mid-winter.

- Though the recession reached bottom last April and the economy has been moving up at a good clip since then, the Census Bureau's seasonally adjusted unemployment rate didn't hit its peak of 7.6% until August. And by October it had got down only to 7.1%.

Behind this seeming hodgepodge of trends, though, there's a fairly clear pattern.

- **Seasonal Drag**—Most obvious is the seasonal factor. Unemployment hit its peak in June, when large numbers of students had just entered the labor force and had not yet found jobs. Since then seasonal factors have teamed up with business recovery to push joblessness down to October's 3.8-million.

But that will, almost certainly, be the lowest unemployment figure for some months. For, from now until early spring, the seasonal factors will be working against the recovery's favorable impact on jobs to push unemployment up again. The Census Dept. calculates that joblessness usually increases by 50% from October to January—apart from any changes caused by swings in the business cycle.

That upward push on unemployment has already begun. In the week ended Nov. 1, the Labor Dept. has just reported, unemployment compensation claims by newly laid-off workers rose by 11,000 to 288,200.

This rise in new claims clearly foreshadows a climb of unemployment

back above the 4-million mark in the months just ahead. And if the business recovery should move sideways from its present level, unemployment could hit 5-million this winter.

- **Recovery Pattern**—But this coming seasonal push doesn't explain why unemployment has stayed relatively high up to now, in the face of a business recovery under way since April. It doesn't explain why the Census Bureau's seasonally adjusted unemployment rate only reached its peak of 7.6% in August, and then slid only very gradually to October's 7.1%. Those who think there is something peculiar or unusual in the persistence of relatively high unemployment in 1958's recovery point to these figures.

But there are serious bugs in the Census Bureau's seasonally adjusted unemployment rate, as *BUSINESS WEEK* has pointed out (*BW*—Oct. 18 '58, p160). You get a more accurate gauge of seasonal factors in a period of relatively high unemployment by subtracting seasonally adjusted employment from the seasonally adjusted civilian labor force, and taking the difference as a percentage of the adjusted labor force.

This proposed method (which the Committee for Economic Development has also adopted) gives a different view of how unemployment has behaved. Using the method, *BUSINESS WEEK* estimates that the seasonally adjusted unemployment rate reached a peak of 7.5% last April—at the recession's trough; and fell significantly to 6.7% in September and 6.4% in October. That's a decline of 15% in the rate after six months of recovery.

This is well in line with the pattern of past recoveries. Measured by the same new yardstick, the unemployment rate (seasonally adjusted) fell by 13% in the first six months of recovery from the trough of the 1948-49 recession, and by 14% in the first six months after the 1953-54 bottom. Both these figures are topped by this year's 15% decline in the rate from April to Octo-

ber—so that, actually, the mop-up of unemployment has been faster this time than in the two previous recoveries.

- **Why the Lag?**—Even so, unemployment now, as before, tends to be a drag during the earlier stages of a business expansion. October's 3.8-million unemployment was 1.3-million higher than a year earlier.

The reasons for the lag are mainly these: On the upswing, (1) the average work week lengthens, and (2) productivity takes a big jump; both reduce the need for new hands.

Both these curbs on reemployment have showed up during the past six months. Average weekly hours in manufacturing, after touching bottom at 38.3 hours in April, rose to 39.8 in September, and are now probably even closer to the 40-hour mark. Productivity per man-hour has climbed rapidly (*BW*—Sep. 20 '58, p37); though there's no reliable way of measuring the current rise, it has probably topped 5% thus far in manufacturing.

These curbs on reemployment have undoubtedly been felt more in manufacturing than elsewhere. Ewan Clague, Commissioner of Labor Statistics, reported last week in New York that total employment, outside agriculture, has recouped about 30% of its recession loss, manufacturing less than 20%.

- **Getting Back to Normal**—When, then, will employment catch up with the rest of the recovery? Not until the recovery has carried the economy far past its previous peak.

Gross national product is now running at an annual rate of around \$450-billion. But prices have risen nearly 3% since GNP's previous peak of \$445.6-billion in third-quarter 1957. Measured in 1957 dollars, the current rate is still about \$6-billion to \$8-billion below the old peak. Clague estimates "roughly" that further growth of \$35-billion to \$40-billion will be required to get unemployment down to the "normal" 4% mark, because growth is needed:

- To offset still further gains in productivity.

- To reduce existing unemployment by about 1-million.

- To absorb annual increases of 700,000 to 800,000 in the labor force.

Clague's new estimate of the GNP gain needed to get unemployment down to 4% squares with earlier estimates (*BW*—Jun. 14 '58, p137) that GNP must hit \$475-billion in 1959, in constant prices, to accomplish that.

Last June, with the recovery still more of a hope than a reality, that

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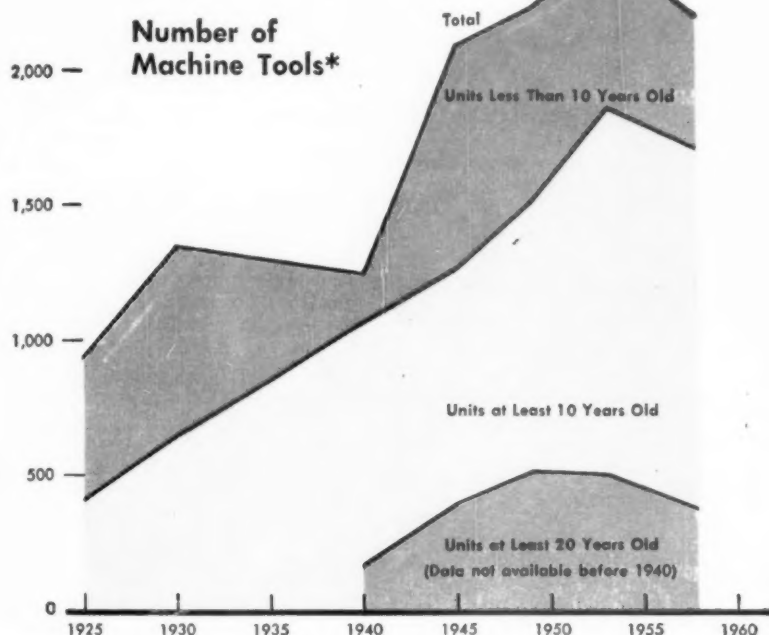
2607 North 25th Ave. Franklin Park, Ill.

seemed like a target well out of reach. But considering the pace of the recovery so far, and the at least normal reduction in unemployment to date, a \$475-billion GNP and 4% unemployment have moved within shooting distance for next year. It's a target still on

the high side of what most economists and businessmen expect for 1959, however (page 152). The "standard" forecast for next year is GNP at \$460-billion; at that rate of output, unemployment would persist at higher than normal levels during 1959.

Thousands of Units
2,500 —

Number of Machine Tools*



*Includes both metal-cutting and metal-forming tools

Data: American Machinist.

Fewer Tools, More Work

The total number of machine tools installed in the metalworking industries has declined since 1953. That is the most striking fact that emerges from the just-completed Eighth Inventory of Metalworking Equipment, conducted by American Machinist, a McGraw-Hill publication.

The drop of more than 10% in the number of machine tools is made all the more dramatic by the fact that, during the same five-year period, industrial capacity has increased 40%. The new data provide the first proof that automation is affecting the number of machines in the country.

American Machinist finds two main factors responsible for the decrease:

The increasing use of multi-station machines—machines that can perform anywhere from two to more than a hundred operations.

The junking of older machines, especially those more than 20 years old, which are being replaced by a smaller number of new machines that are markedly more productive. A recent American Machinist study found that today's machines are 54% more productive, on the average, than those of 10 years ago, and a similar study in 1950 showed a 40% improvement over 1940 models.

Despite the decline in the total amount of equipment, however, the new American Machinist inventory showed a continuing increase in the average age of equipment. More machine tools are over 10 years old today than at any time since the depression of the 1930s—60% of metal-cutting machines and 62% of metal-forming machines. That's a 4% increase since the last inventory in 1953. **END**



Photographed at the Beverly Hilton Hotel

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HAPPY"**



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In the Markets

. . .

British Investors Caught Looking

By Latest Rise in New York Market

One major investment group has missed out on the new bull market in stocks (page 23): the British insurance companies and Scottish investment trusts (Edinburgh is the center of the U.K.'s trust business). These institutions normally are big buyers of U.S. equities, and their investment policies are generally respected in Wall Street. But in the latest rise they have not been adding to their holdings of U.S. securities.

According to Roy L. Reiersen of Bankers Trust Co., some Scottish trusts that have held up to 50% of their portfolios in U.S. and Canadian securities are thinking of disposing of part of their holdings in favor of high-yielding European securities.

New York brokers who handle the U.S. business of European trusts report that most of their accounts expected a much more serious recession here. They were caught by surprise when the market began climbing, and they failed to realize that business activity was improving. Because so many of them seek high-yielding securities, they feel the U.S. market is unattractive, compared with European issues.

While they have missed the boat in the U.S., these institutions have been the spark behind the European stock boom. Business activity in most of Western Europe is slackening a bit. But stocks are rising because investors, led by the trusts, feel that any decline will be temporary and that European equities are cheap at present prices.

. . .

SEC Permits Bankrupt Cornucopia

To Resume Over-the-Counter Trading

The Securities & Exchange Commission this week gave the green light for the over-the-counter trading to resume in bankrupt Cornucopia Gold Mines shares. This company is the corporate debris left behind by Earl Belle, a "boy wonder" financier now in Brazil dodging a U.S. indictment.

SEC thinks that the wide publicity about the case has put the public on notice of the dangers involved in any investment in Cornucopia—which sold at only 10¢ a share before SEC halted trading July 25.

. . .

\$3-Billion Tax Anticipation Bills

Auctioned Off By the Treasury

The Treasury this week covered its new cash requirements for the balance of the year by offering at competitive auction \$3-billion of 214-day tax anticipation bills. In auctioning the bills, which means that the mar-

ket sets the interest rate, the Treasury was clearly hoping to pay less for its borrowings than it would through a fixed interest security priced in advance.

There's some indication that the Treasury has made a good choice. According to Darragh A. Park, Jr., of Park, Ryan, Inc., the demand for the new bills from non-financial corporations, who are accumulating liquid assets at a rapid pace (BW—Oct.18'58,p23), has lent stability to the short-term market.

The Treasury says it will now have enough cash to run the government for the rest of the year, but more than \$12-billion in outstanding debt must be refunded in December. Officials indicated that part of this total may be taken up by a new type of bill—but, at midweek, the market was unsure what form the offering would take. So some observers think that the market's uncertainty about the December refunding might boost the cost of the present offering.

. . .

Nonvoting Shares of A&P Soar at News

Of Stock Split That Enfranchises Them

Investors bid up price of Great Atlantic & Pacific Tea Co. nonvoting shares this week after announcement of the long-expected 10-for-1 split in A&P stock (BW—Aug.9'58,p83). A&P, which had traded as low as \$241 earlier in the year, rose to \$485, up \$40 on the news.

Company officials said that both the 1.15-million voting shares—held by the Hartford family—and the 935,812 nonvoting shares would be involved in the split as well as A&P preferred stock, which will be exchanged on a 3-for-1 basis. This means that there will be only one class of A&P stock, and the company plans to seek listing for it on the NYSE.

This new capital structure won't materially affect the Hartford family's control of A&P—it will have 82% voting control after the split, compared to 100% before—but there are indications that the family wants broader public participation in the company. For example, six new outside members have been added to its board. This suggests that there may be a public sale of some A&P stock after the split.

. . .

Institutions Rather Than Individuals

Are Boosting Daily Trading Volume

The sharp rise in trading volume on the New York Stock Exchange—the daily average is now up to 3.2-million—is due largely to institutional investors, rather than to individual participation, according to NYSE's eighth annual public transaction study. This contrasts with previous rises, which have been sparked by increasing individual transactions, says the study.

In addition, the study supports NYSE's argument that use of credit in the stock market has not been excessive. On the two days covered in the study, Sept. 29-30, margin transactions accounted for 22% of total volume. This was up from 18% a year ago, but still far below the high of 27% in December 1954.



The sizzle came by pipeline

So many people are able to enjoy safe, reliable, low-cost gas cooking today because natural gas is transported over long distances by dependable *underground* pipelines. There's never an interruption of service due to bad weather.

Without protection from underground corrosion, however, these big steel pipelines would soon rust away. This *doesn't* happen because most of them are protected with a tough, life-saving "skin" of coal tar coatings. Today, gas and oil lines from coast to coast are protected with PITT CHEM coal tar coatings—one of the principal products of Pittsburgh Coke & Chemical Company's Protective Coatings Division.

PITT CHEM really stands for a whole family of versatile corrosion fighters. For example, PITT CHEM "Tarset", a unique combination of coal tar and epoxy resin, provides industry with an effective solution to many of its "impossible" corrosion problems in the marine, petroleum and chemicals fields. And PITT CHEM "Insul-Mastic" gilsonite mastics set the industry's standard for economical, moisture barrier coatings.

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W 7043



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PERSONAL BUSINESS

BUSINESS WEEK

NOV. 15, 1958

A BUSINESS WEEK

SERVICE

Recently, there's been a flurry of talk about stockholders' "rights"—rights predicated on the idea that when you buy even one share of stock in a company you become a part owner of the business.

The truth is that these rights fall far shorter than you may imagine.

Even determining what they are is a tricky job, because they arise from several sources—state law, the company's incorporation certificate and bylaws, and Securities & Exchange Commission and stock exchange rules.

Most stockholders' interest in "rights" usually boils down to their right to attend and vote at stockholders' meetings and to obtain information about the company's operations. Your rights regarding stockholders' meetings, generally provide that you can:

- Demand an annual meeting if for some reason the company fails to hold one. And in certain situations demand a special meeting. But be prepared to back up this demand with a law suit.
- Demand to be notified in advance (usually 10 to 40 days).
- Demand that a quorum of stockholders be present or represented.
- Demand to speak (within reason) at any meeting. One warning though: You may have rights, but the board chairman has lots of latitude on running the meeting and there are cases where stockholders' requests to speak were never recognized.
- If you can't attend a meeting, generally you have the right to name an agent, often an officer of the company, to act as your proxy and vote according to your instructions. Generally a firm is not legally bound to mail proxies; however, some exchanges (like NYSE) require most members to mail.

Your right to obtain company facts and figures is a much debated topic.

Generally, you can demand to inspect the list of stockholders—but the law may attach strings. For instance, you may have to go to court to show that your purpose is entirely consistent with the company's welfare. (Many concerns insist that you go through this procedure.)

In some cases—for example, where there is evidence that financial statements are misleading—you may be able to obtain, also through court action, an audit of financial operations. Here, too, you get some added protection if a listed stock is involved. The NYSE, for example, requires that companies regularly publish audited financial statements.

Just as important to know about, of course, are the limits on stockholder rights. Some limitations are not too apparent.

Suppose the company gives information about its future plans—say to a bank to obtain a loan, or to an investment company. Have you, as a small shareholder, a right to the same disclosure? The answer is no—at least, you have no legal right (though many companies voluntarily make such disclosures as a matter of policy). In this area, management has broad leeway.

Note, too, that as a general rule the company is under no legal obligation to mail reports and similar papers to you—though here again, the stock exchanges have special rules. (The NYSE requires listed companies to mail the annual report.)

What about the cover of protection afforded by the SEC? Here, too, there's a wide misconception among investors. Generally, no protection is afforded except in the case of companies listed on an exchange—and even then, protection is limited.

True, SEC requires listed companies to disclose much information. But as

PERSONAL BUSINESS (Continued)

BUSINESS WEEK
NOV. 15, 1958

a practical matter, the individual stockholder must carry the ball—through his voting rights, or in extreme cases, through the courts.

—•—

Accident costs, jury awards up. Traffic accidents last year cost \$7.25-billion—more than half the cost of all new cars sold, Guy E. Mann, vice-president of Aetna Casualty & Insurance Co., points out. Mann adds that the apparent “leveling off” of the death rate at 38,000 to 40,000 per year gives an incomplete gauge of the impact of accidents. Fewer may be killed, but injury and accident tolls have been soaring.

At the same time, there's been a great increase in jury awards for personal injuries. A study by the Assn. of Casualty & Surety Companies shows that from 1947 to 1957 there was a three-fold increase in the average sum awarded in personal injury suits tried in Chicago. Similar increases have occurred in other cities.

—•—

The businessman who's looking for ways to improve his writing will find a good bet in Watch Your Language by Theodore M. Bernstein, assistant managing editor of the New York Times (Channel Press, \$3.95). It's packed with pointers on how to avoid errors in word usage. For example:

Advance planning. “With a little advance planning . . .” Planning is the laying out of a future course; “advance” is therefore superfluous.

Concern. “. . . a member of a law concern . . .” A concern is a business or manufacturing organization, not a professional one. Make it law firm or law office.

Personal friend. “Mr. Driggs has been a personal friend . . .” Sovereigns may have non-personal friends, but not we commoners.

—•—

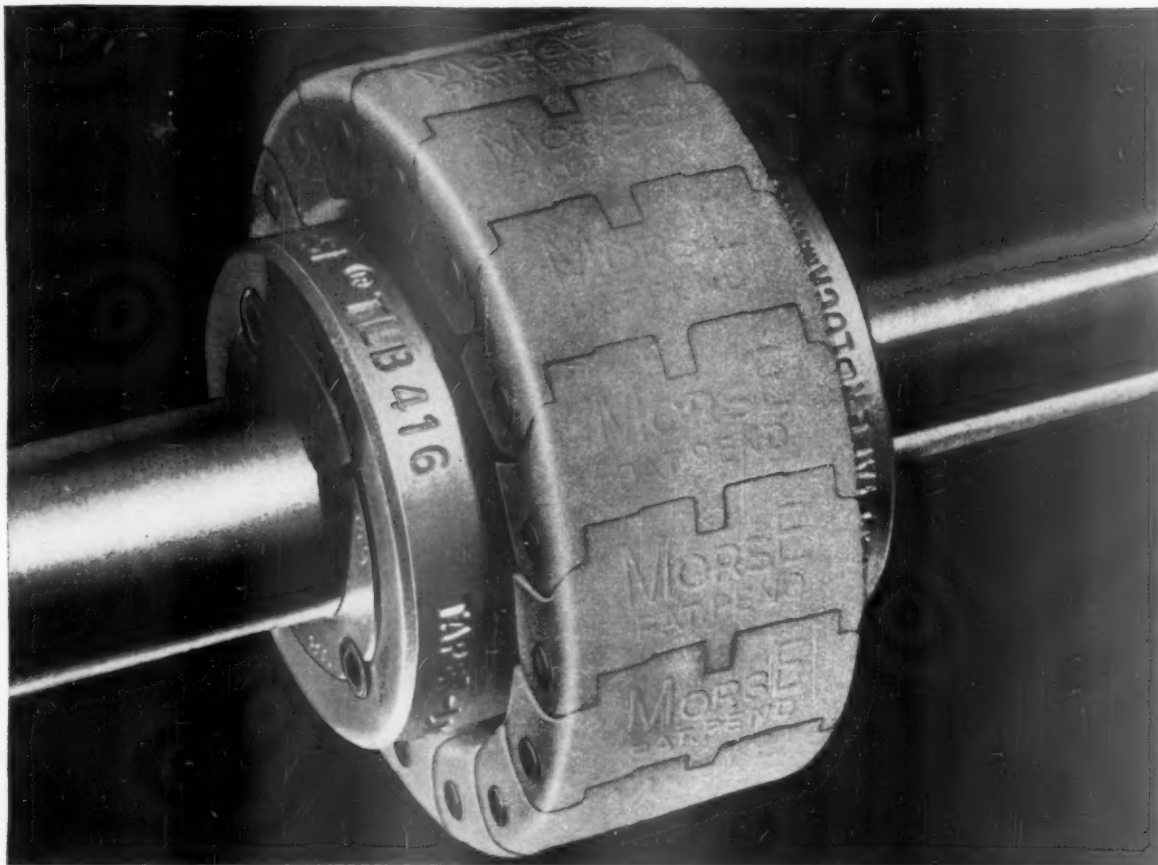
As winter approaches, keep in mind that the evergreens about your home suffer more from alternate freezing and thawing and drying out than from cold weather.

The American Assn. of Nurserymen provides these tips on winter care: (1) Water well before the ground freezes; (2) add mulches of pine needles, peat moss, rough straw, or other common materials to maintain moisture; (3) place two-sided screens (made of wooden frames and burlap, or wooden slats) to protect shrubs from direct northern winds.

—•—

Manners and Modes: Jet flights from New York to Miami (2 hr., 15 min.) start Dec. 10 via National Airlines . . . New adult strategy games, requiring concentration and skill, are catching on. They're titled **Gettysburg**, all about the battle; **Tactic**, based on military tactics; and **Dispatch**, a railroad game (Avalon Hills, Baltimore, Md., \$3.95) . . . All the important health experiences in one's life now can be permanently recorded easily in **Lifetime Health Record**, prepared by Harvard Prof. D. D. Rutstein (Harvard University Press, \$2.25) . . . Glass-lined tanks are being used in California for storing and maturing wine, after proper aging in wood. For answers at a glance about wines, a handy wall chart is available (Wine Wheel, 1959, 59 E. 73rd St., New York 22, \$1).

Now...from Morse Chain



New Nylon Couplings

Cost 20% less, need no lubrication, last indefinitely!

New Morse Nylon Flexible Couplings cost less to buy and maintain than steel couplings. They use economical, stock roller chain sprockets—need no protective cover. They last longer, too . . . operate without lubrication because friction and wear are negligible.

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ideal for loads from fractional to 40 h.p. and speeds from 500 to 5000 rpm. And they adjust to misalignment.

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REMEMBER: Only Morse offers all four flexible couplings: Chain, Morflex and Radial, Morflex and Radial Driveshafts, and Nylon



Most Powerful Towboat Yet Joins

Federal Barge Lines' new United States (picture) is first of a line of super-towboats that move more cargo and do it faster.

This is a towboat, pictured before the propellers and rudders were installed as the craft sat on the building-ways waiting to be launched. Named the United States, it is billed as the world's mightiest river towboat.

St. Louis Shipbuilding & Steel Co. built this new queen of the inland waterways at a cost of \$1.7-million for its subsidiary, Federal Barge Lines. The new towboat will go into service late this month on the lower Mississippi, between St. Louis and New Orleans. Its 8,500 hp. far exceeds that of any other towboat on the river; the biggest

up to now have been a few in the 6,000-hp. class.

- **Super-Pushers**—Federal Barge Lines is counting on its new United States as the first of a class of super-towboats that could move 40-barge tows as handily as today's towboats move average tows of 20 to 30 barges.

Pushing a 20-barge string, the United States will be able to cut the running time between St. Louis and New Orleans to 10 days from the usual 15 days. It can do the job more efficiently, too. Despite its size, the new boat has a crew of only 17 men, half as many as the steam towboats carried 20 years ago. It can push three times the tonnage of barges as the boats of that era.

The technique of pushing instead of pulling barges was developed a century ago to meet the special conditions of the Mississippi and its tributaries: shallow water and twisting channels.

Push-type towboats are better adapted to shallow-water operation than the type that pull the barges.

The cargo tonnages that modern towboats can push are prodigious. A tow of eight huge oil barges, for example, may contain 35,000 tons of oil—as much as the smaller ocean-going supertankers can carry. A common carrier tow, five to seven barges long and two to four abreast, can move upward of 20,000 tons—twice as much as an ocean freighter. There are roughly 4,300 modern towboats, mostly diesels, on the country's inland waterways.

- **Lively Business**—Traffic on these waterways has been increasing, largely because of the low freight rates that the efficiency of huge push-tows has made possible. In the last 10 years, towboat and barge operators have increased their share of total intercity freight from 3½ to 8%. On the 5,500-



The Mississippi River Fleet

mi. Mississippi River System (including the tributaries), traffic jumped from 118-million tons in 1947 to 213-million tons in 1956.

Business has been spotty this year. According to the Inland Waterways Commercial Carriers Assn., volume of common carriers through September was about 9% below last year. However, Federal Barge Lines and some other operators still expect the year as a whole to come close to last year, mainly because bumper crops of grain are moving downriver for shipment overseas.

Other products riding the inland waterways in large volume include aluminum ore, oil and its products, chemicals, sugar, rubber, limestone, cotton, and even seashells.

• **Bigger the Better**—Barge rates today generally run 12% to 50% less than railroad freight rates. The trend to

ever larger and more powerful towboats is based on the operators' attempt to maintain this rate advantage. They can do it only by hauling more tonnage without incurring a proportionate increase in operating cost.

Twenty years ago, the largest diesel towboat on the river was in the 1,200-hp. class. Today, 4,800-hp. towboats are relatively common, and a few are around 6,000 hp.

So far, no one seems ready to follow Federal's lead in building 8,500-hp. towboats. Mississippi Valley Barge Line Co. has subscribed to the "big towboat" idea, but other common carrier barge operators—American Commercial Barge Line Co., Union Barge Line Corp., Ohio River Co.—aren't convinced yet that the idea is sound. All will be watching closely to see how Federal's new United States works out.

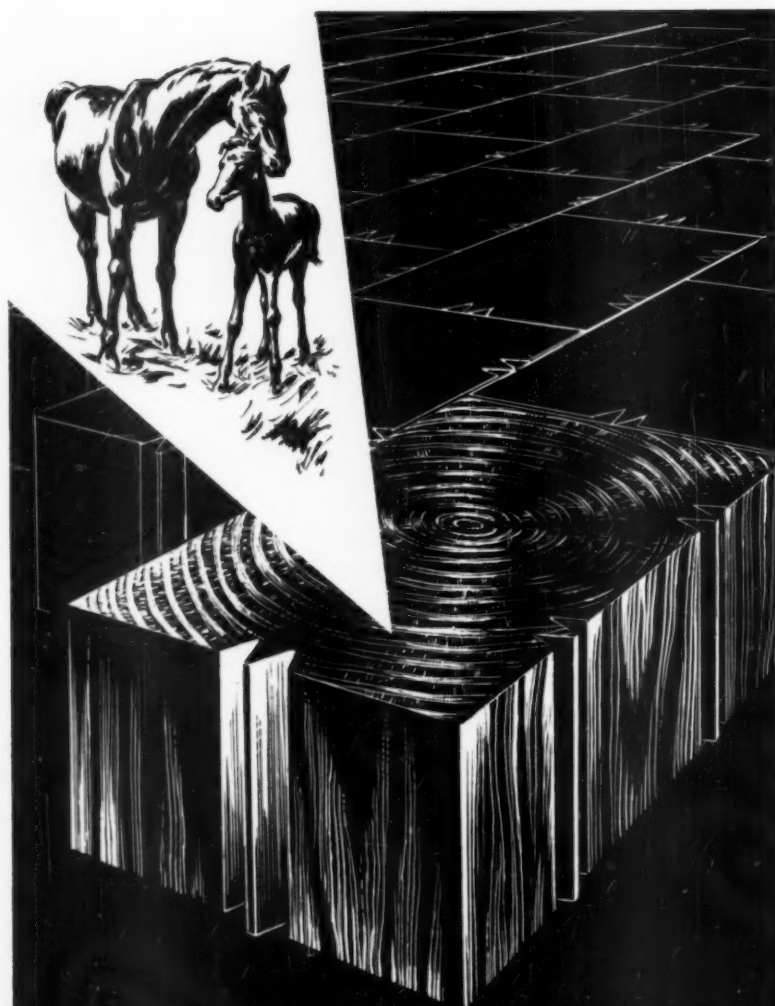
Some rivermen feel that the United

States is over-powerful for the work to be done, that there just won't be enough 40-barge tows to make it pay. Management of Federal Barge Lines, of course, is convinced that the business is available for the towboat that can handle it. As basis for its faith in the 8,500-hp. workhorse, the line points to successful operating experience with a 5,000-hp. boat leased from another operator.

If nothing else, says Capt. A. C. Ingersoll, Jr., Federal's president, "there's so much power in the boat that no business need ever be turned down enroute."

• **Modernizing**—Since St. Louis Shipbuilding bought Federal Barge Lines from the government in 1953 for \$9-million, the company has spent around \$114-million to modernize the fleet of barges and towboats.

Losses had built up fast toward the close of government operation. In the



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10 years before sale to private owners, in fact, the line accumulated \$8,680,000 in deficits—almost as much as the sale price. In the five years of private operation, earnings have totaled \$2,730,000.

The 1953 fleet of 24,700 hp. of towboats and 343,000 tons of shipping capacity in barges has been replaced or repowered, as well as expanded. Now the company has 39,600 hp. in towboats and 360,000 tons of barge capacity.

• **Novel Specialty**—A towboat designed like the United States plainly shows—especially out of water (picture, pages 136 and 137)—how specialized a hull can become. The shape is shallow and flat; the hull draws less than 9 ft., for that's the minimum depth in some parts of the river.

The four propellers work inside 9-ft. rings whose airfoil shape smooths the flow of water and gives the propeller blades a solid, more powerful bite. These airfoil rings are a German development, called Kort Nozzles; they can increase a towboat's "push" by 25% or more.

Quadruple-screw towboats are in themselves new on the inland waterways. Most have only two propellers, though some have three. St. Louis Shipbuilding built the first four-screw towboat, the 3,600-hp. Lachlan Macleay, in 1955, creating the same kind of stir among towboat operators as the United States is creating.

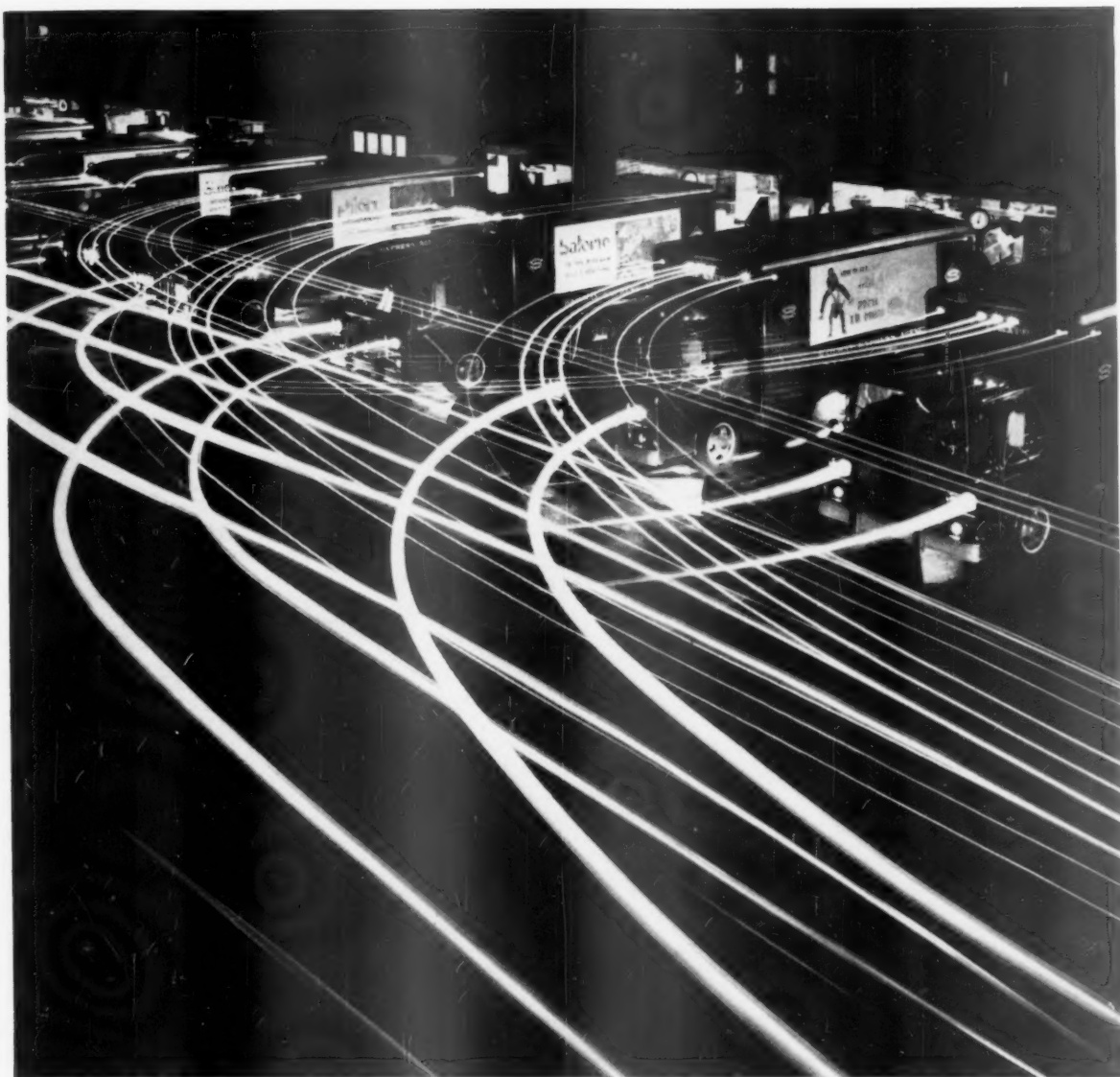
With the river only 9 ft. deep at some points, multiplying the number of screws is the best way to increase a boat's power. People at St. Louis Shipbuilding estimate that a twin-screw towboat would have to swing 12-ft. propellers to get the same amount of drive as the four-screw United States—and then it would be restricted to sailing in the lower Mississippi.

• **Power Plant**—The four Cooper-Besemer diesels in the United States are designed to burn low-cost Bunker C residual fuel oil, rather than regular diesel fuel. Federal Barge estimates that this will save \$250 a day in fuel costs.

The longitudinal ribbing that's noticeable on the towboat's side, below the waterline, is part of a heat exchange system that produces steam to keep the heavy oil fluid enough to flow to the engines.

• **Maneuverable**—Designers and builders of towboats say that probably no other type of commercial craft is so maneuverable as the newest river towboats. The United States is a good example. It has 10 rudders in all—one behind each propeller (not yet installed when the picture was taken) and another six mounted on the forward side of the propeller rings, for use in steering the boat when it's backing.

The United States can move backward at nearly three-quarter speed, un-



Photographed by Robert Yarnall Richie

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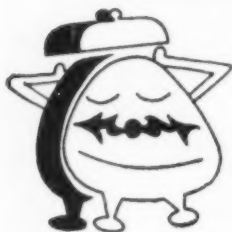
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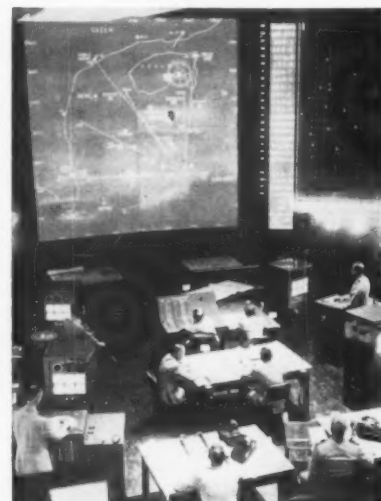
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der full control. By going ahead on two engines and reversing the other two, the captain will be able to turn an entire tow around within its own length, or even move it sideways. These are important assets when a tow hundreds of feet long is being snaked through a narrow and tricky river channel.

• **Foreign Interest**—Both the hull and design of the Kort Nozzles were model-tested at the Netherland Shipbuilding Experimental Tank in Wageningen, Holland, to make sure of the engineering soundness of St. Louis Shipbuilding's big-towboat concept.

The efficiency and maneuverability of U.S. inland waterway towboats are attracting worldwide interest these days. "Push" towboats are already in use on the Amazon and other South American rivers and on the Niger and the Congo in Africa. Now these Mississippi-type towboats are beginning to appear on European rivers, where long strings of pulled barges have been a familiar tourist sight for generations.



UMPIRES watch rival war game moves fed onto screen through computer system as...

Navy War Games Get New Electronic Touch

The Navy last week took the wraps off NEWS, the Navy Electronic Warfare Simulator—a \$7.25-million playing field for the latest type of war game, built around the master control room you see in the picture.

Installed at the Naval War College, Newport, R. I., NEWS features an array of analog computers that simulate the mobility, firepower, and military intelligence needed by two teams of officers in mock battle with each other. It will be used both to train officers and to test operation plans.

• **Realistic**—The Navy defends the high price tag on the ground that it's



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*E. T. Barwick,
President
E. T. Barwick
Mills*

One of the young giants of the tufted-rug industry, Eugene T. Barwick, head of E. T. Barwick Mills, considers the money he has obtained from Heller Factoring and equipment loans to be equity capital. "It's equity capital which you can buy out any time with no feelings being hurt. Heller funds replace stockholders who don't work as hard as you do but still share profits after taxes. With Heller working funds you get your company free and don't give away a lien on future profits. And I'd need fifteen to twenty people in a credit department to service my 10,000 customers if I didn't have Heller's services."

E. T. Barwick Mills started in 1949 with capital of only \$4500.00. Today, Barwick's sales are approaching the \$30,000,000 mark. E. T. Barwick Mills, like

more than 10,000 other progressive companies, has been helped to grow and increase profits through Heller Working Fund Programs.

Maybe your company finds itself in the position today of passing up profit opportunities because you lack the cash for doing the things you want to do. If so, you should learn the facts about Heller working fund programs. If your company does an annual volume of \$300,000 to \$20,000,000 or more and can be strengthened in operating position or profit potential, investigate the story of Heller funds and services today. Write for a copy of "Operating Dollars For Every Business" or for specific information pertinent to your own situation. All inquiries are treated with confidence and without obligation.

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The pace-setting Towmotors are a good example of what can be accomplished when industrial leaders of the caliber of Towmotor and Continental pool their efforts. Fine result of teamwork between two outstanding pioneers, they combine efficiency, driver comfort, and ease of operation, with a degree of indoor-outdoor versatility that is finding them more and more jobs in the expanding construction field. Their dependable performance, over long periods with an absolute minimum of upkeep, proves that it pays to be choosy about the power that's the heart of the machine—to buy a make that features the in-built extra value of Continental power.

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a lot cheaper than firing a dozen Talos missiles or an atom bomb just for practice. And these complex weapons of modern war, in the Navy's view, cannot be effectively simulated by the older, ungadged type of war game. That was played with stacks of maneuver rules, fire effect and damage tables, with probability simulated by an umpire's throw of the dice, and markers moved around on a floor grid by hand to simulate ship movements. After a move taking a few minutes there would be a long interruption while the rules were amplified to evaluate it.

Monday morning admirals may doubt the value of any simulation, but the Navy feels NEWS creates operational situations that truly resemble actual command experiences.

That's because of three things: (1) NEWS works on the same time scale as real life—the time a torpedo takes to reach and sink a submarine is about the same as in actuality; (2) new commands can be fed in to meet a changing situation; and (3) the effects of each action are continually evaluated and fed back into the system.

- **Elaborate**—NEWS is housed in a three-story building containing equipment and control rooms, an umpire area (picture, page 140), and a series of command centers outfitted like those on real ships, with communications systems, radar simulator, and so on. Each center houses from one to four forces—a force can be anything from one submarine to a carrier task force. There are 48 forces in all, 24 to a side.

When a force commander meets the enemy and fires at a target, that information goes to human umpires and to the damage computer, whose memory is stored with weapon characteristics and data on target damage. The computer figures out how likely a hit is and how much damage it is likely to do.

If a ship is damaged, the computer automatically reduces its top speed or weapon effectiveness. The human umpires can intervene at any point to change the computer's reactions, or to add or eliminate factors. The 15-ft. screen they watch can be scaled to represent an area 40 miles square, 400, 1,000, or 4,000.

All movements on it are plotted by optical projectors controlled by navigational computers. These record the speed and direction ordered by the command centers, computing the position of each force at every moment of play—information needed by the radar simulators as well as by the umpires.

- **Different**—NEWS differs from digital computer simulators used in business, gaming, or logistics studies, which work faster than real time and can compress a year's activity into a day. Digital computers can also easily handle a greater number of variables—more dif-



BEING DOWN ON SOMETHING YOU AIN'T UP ON MAY BE COSTING YOU MONEY

If misconceptions about "slow movin' Southern workers" are delaying your decision to expand operations into the South, let G. Randolph Babcock, President of Pelton & Crane Co., Charlotte, N. C., tell you of his experience. Mr. Babcock moved his dental and surgical equipment manufacturing plant to North Carolina in 1955. He has had ample time to evaluate the industrial South.

"Many people in the North just 'ain't up' on what goes on in the South," says President Babcock. "Some still

believe that Southern workers are slow and easy going. They are wrong and I can prove it!

"Within six months after our Southern work force for Pelton & Crane was hired, it was producing at greater efficiency in North Carolina than we had ever experienced. And the majority of workers are operating machines completely foreign to them . . . I have nothing but the highest praise for North Carolina workers. They learn rapidly, appreciate their jobs and are anxious to give a day's work for a day's pay."

NORTH CAROLINA

For prompt and confidential plant location information you are invited to contact William P. Saunders, Director, Department of Conservation and Development in Raleigh.

In financial aid to education . . .

What Should Business Do Now?

Now that the federal government is entering the field, should business firms stop giving financial aid to our colleges and universities?

This question is now being discussed by business directors throughout the country. The discussion is prompted by the near-billion-dollar program of federal aid to education passed by Congress a few months ago. For if the federal government, with its access to billions in taxes, is assuming responsibility for the financial welfare of education, should not business get out of the way and let the government take over? This is the general way the question is being asked.

The answer is a resounding NO.

What The Federal Program Does

The new federal program makes it possible for the government to spend the imposing total of \$900 million for aid to education over the next four years. There are still many loose ends in the program. But already it's quite clear what such funds will — and will not — do to help relieve the financial plight of our colleges and universities.

First of all, the program is not going to solve any financial problems in education overnight.

The program is just barely underway. So far no money has actually been allocated, and Congress has appropriated only \$40 million — less than 5% of the total.

More important, there is very little in the total program which will result in direct aid to colleges and universities. The program does set up fellowships to train college teachers. But most of the aid will eventually be channeled through the states to primary and secondary schools. The main focus of the program is education for national defense — strengthening science, mathematics and foreign languages in elementary and secondary schools, together with grants for counseling, testing and research.

The one big item for higher education is a \$295 million student loan program, which will help needy students pay tuition and other fees. But tuition rarely covers the full cost to the college of educating a student. So the net result could well be an additional financial strain on our institutions of higher learning.

For the three most pressing financial needs — faculty salaries, scholarship grants and new plant and equipment—colleges and universities must still rely heavily on help from the business community. And it would indeed be a major

misfortune if the recent actions of the government put a blight on this growing and substantial support to higher education.

In the last ten years, business has expanded its financial aid to education by more than four fold. In 1948, contributions were only \$24 million. In 1957, such aid reached an estimated \$125 million. Moreover, corporations have been putting a larger proportion of their total charitable gifts into education. In 1950, the percentage was only 17%. By pre-Sputnik 1956, the share had already increased to 34%, according to figures recently released by the Council for Financial Aid to Education.

Why Business Must Help

The most compelling reason for increasing business aid to higher education — at an even faster rate—is that our colleges and universities desperately need financial help. It is that simple. Private contributions to higher education must average at least \$400 million over the next ten years if our colleges are to meet rising operating costs and raise faculty salaries to decent levels. Despite the growth in business contributions, we are still well below that goal.

If our colleges cannot solve their mounting financial difficulties through voluntary help from business firms, alumni and communities — then it is to be expected that federal aid ultimately will be mobilized in a big way. In principle, if not in dollars, the 85th Congress has paved the way. Indeed, a large federal scholarship program was squeezed out of this year's legislation only in the course of last-minute compromises. And Arthur S. Flemming, Secretary of Health, Education and Welfare, has urged that the next session of Congress restore the scholarship program.

About any federal rescue operation for higher education, two things are quite clear:

- (1) Such aid will come too late to prevent irreparable harm resulting from the current shortage of funds. The need for help is urgent and immediate.
- (2) With federal taxes taking over half of all corporate income, any federal program in the end will be financed in large part by the business community.

An Opportunity

So, viewed narrowly, it is in the selfish interest of business firms to aid our colleges and universities now, rather than wait and be forced to pay later on. By doing so, they ensure that business will have a continuing supply of well-trained graduates. They take advantage of the tax laws for charitable contributions which mean the government in effect assumes more than half the cost of business aid to education. And they win gratitude for a voluntary and generous act.

Viewed in the broad public interest, the business community has an opportunity to perform a financial rescue mission in education which could well be the key to successful survival, not only of our present system of higher education, but also of the nation itself.

As previous editorials in this series have pointed out, a very small share of the net income of business firms — about 1% — would do the job. Certainly business must not be distracted from this opportunity by the new venture of the federal government in financial aid to education.

This message is one of a series prepared by the McGraw-Hill Department of Economics to help increase public knowledge and understanding of important nation-wide developments. Permission is freely extended to newspapers, groups or individuals to quote or reprint all or parts of the text.

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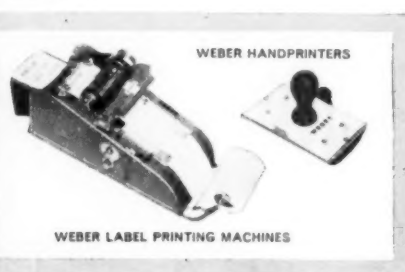
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ferent types of ships, or more kinds of weapon per attack force, for example—than NEWS. But they provide little simulation of the human stress of moment-to-moment action, and they provide no way of changing input data in the middle of an operation. All decisions must be programed in advance.

• **Measuring Probabilities**—One reason an analog computer is called by that name is that it records a change in the thing measured by a proportional change in voltage output. In NEWS, the computer is programed with the probability of hits and extent of damage for every type of weapon against every kind of target at a given range. When a weapon is fired at a target, one element of NEWS generates a voltage proportional to hit probability and a voltage proportional to extent of damage.

These voltages go to elements called hit and damage resolvers, where the random nature of damage is taken into account by the use of generated noise, or random electric impulses.

NEWS was designed by the Navy Electronics Laboratory, San Diego, which built it in collaboration with 23 industrial companies.



Red Hot Test Motor

Although red hot temperatures in the 1,000F range are too much for today's regular electric motors, this Westinghouse Electric Corp. motor can take them for 1,000 hours at a time. The special motor was designed to test out a new kind of electrical insulation Westinghouse is grooming for high temperature missile and rocket use. The motor is wound in pure silver, which has better electrical characteristics than copper at high temperature.

The new insulation is made of a blend of such inorganic materials as glass cloth, mica flakes, silica, and phosphate.

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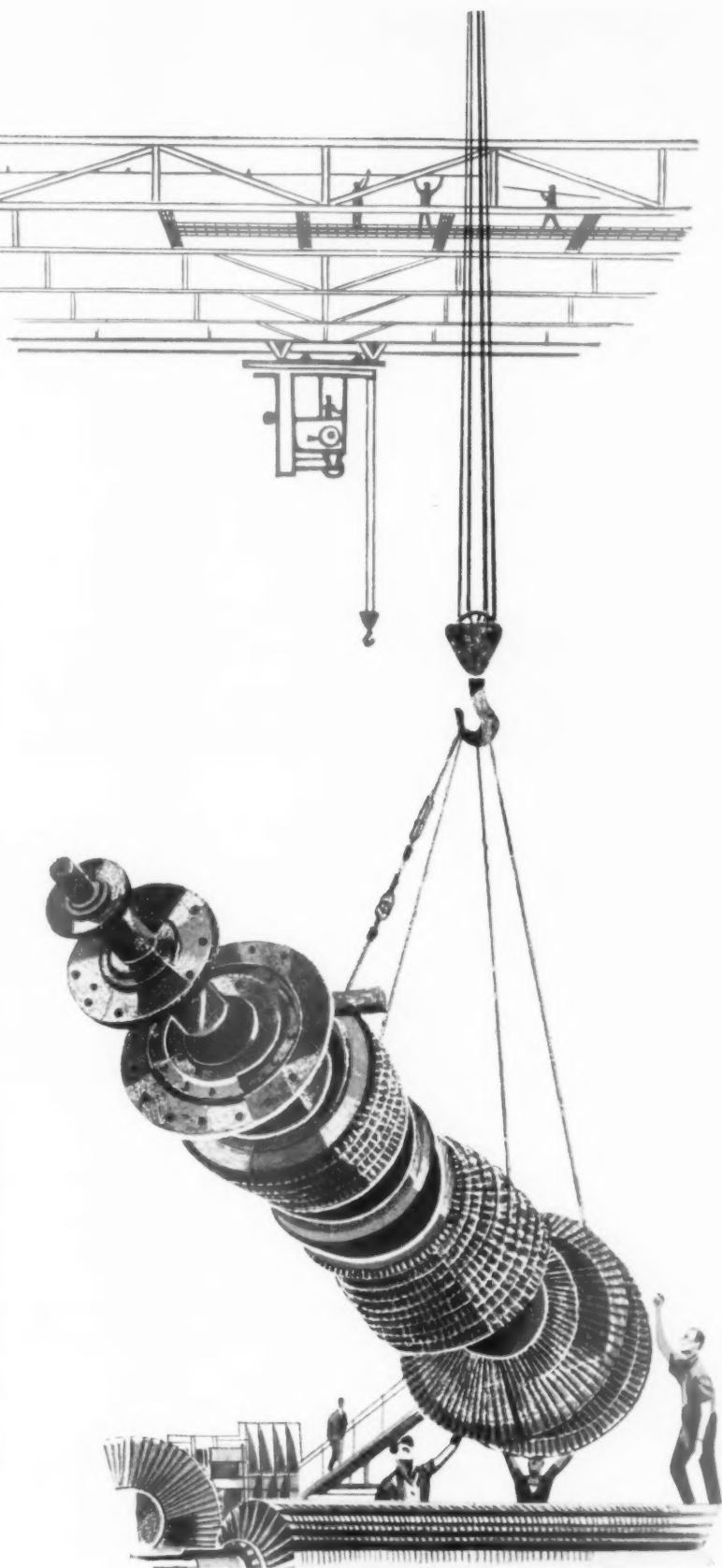
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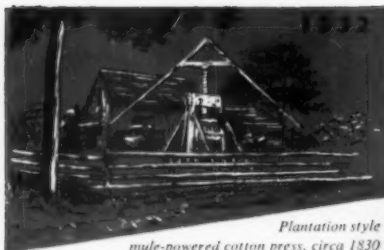


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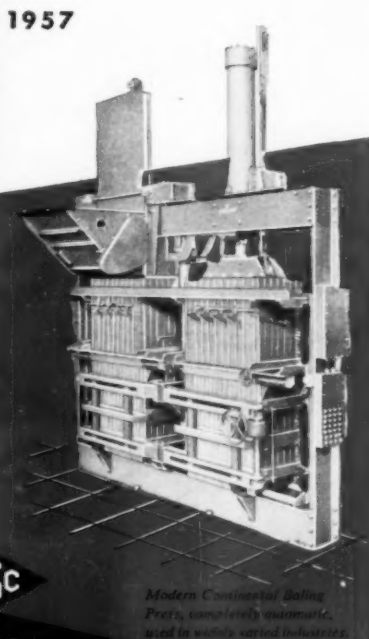


Plantation style
mule-powered cotton press, circa 1830

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EXPANDING INDUSTRY

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SEE PAGE 143



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NEW PRODUCTS

It's Tougher . . .

. . . and relatively cheap, too—this new columbium alloy steel offering both strength and workability.

New, comparatively cheap steels have been developed by Great Lakes Steel Corp. to fill the big gap between conventional carbon steels on one hand, and high-strength, low-alloy steels and full alloy steels on the other.

The new steels, called the GLX-W series, use small amounts of columbium to control the size of the grains, the minute crystalline structures of steel that affect its strength and workability. Usually, the finer the grain, the better the strength and other mechanical properties of the steel. But the hotter you work the steel, the easier it is to work—and the hotter it's worked, the bigger the grains usually turn out.

That's why it's hard to make a product as workable as carbon steel but a good deal stronger. Such a steel has generally cost more than most people want to pay. The new columbium alloy, however, just about doubles the strength of steel without making it harder to work—at a price that's pretty close to carbon steel. (Higher-priced steels do offer qualities beyond the range of the GLX-W series.)

• **Ready Market**—Great Lakes thinks the new steels will find a big market in pressure vessels, truck frames, and earthmoving and farm equipment, where easy fabrication is a must, and moderate increases in strength-to-weight ratios yield significant advantages. The GLX-W series will not compete where corrosion or abrasion resistance is vital, or where workability is not critical. Nor can it compete on applications demanding very high yield strengths.

The new series comes in four grades, numbered by yield strengths—the stress at which the material will be permanently deformed instead of recovering when the force is released. GLX-W steels range from yield strengths of 45,000 psi. to 60,000 psi., compared to conventional carbon steel's strengths of 30,000 to 33,000 psi.

Plate prices for the GLX-W steels (without extras for special size) range from 5.85¢ per lb. for the 45,000-psi. grade to 6.70¢ for the strongest 60,000-psi. type. A comparable carbon steel low price is 5.3¢ per lb., while high-strength, low-alloy steels sell for 7.95¢ and full alloy steels at 7.5¢. Because of the new steel's greater strength, which means less material is needed to do a given job, Great Lakes believes that in certain applications the new steels will yield cost reductions up to 35%. **END**

A PREDICTION

“ I believe that the time is coming when all the wheels—the railroad wheels, the truck wheels, the air liner wheels and the wheels in the pilot houses—will be moving in closer concert for the good of agriculture and industry.

“ I don't believe we need common ownership in transportation in order to work more closely together. I think that joint rate and service arrangements are just around the corner.

“ I feel certain that we can have truly coordinated transport in this country, given reasonable initiative and at least a minimum of good will and good intent.”

Guy W. Rutland, Jr., President

AMERICAN TRUCKING ASSOCIATIONS, INC.

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NEW PRODUCTS BRIEFS

Corrugated steel roofing now comes in 31-ft. rolls that can be unrolled directly on roof timbers by two men. The nailing edge is crimped so it can be nailed flat against the wood, and a mastic sealer on the other edge—where the next strip will overlap—provides resistance. Manufacturer: Ceco Steel Products Corp., Chicago.

A simple magnetic "handle" is bidding to replace electromagnets for handling material up to 300 lb. in metalworking plants. Called the Bearpaw, it has magnets imbedded in Vibrin polyester plastic. The magnetizing force of the magnets extends only 1/8th of an inch, a desirable quality in handling one piece of metal out of several. Manufacturer: Smith's Magnet Sales Co., 12643 Los Nietos Rd., Whittier, Calif. Cost: about \$40.

An ultraviolet-sensitive tube has been developed that simultaneously detects fire, smoke, and combustible vapors. Most existing devices can sense only one of the three. The new tube is expected to have a virtually unlimited life expectancy. It's now in pilot production by the manufacturer, Minneapolis-Honeywell Regulator Co., Minneapolis.

A new adhesive developed by Eastman Chemical Products, Inc., will bind any two materials together. It is now available commercially for the first time from Eastman and Armstrong Cork Co. The manufacturer claims Eastman 910 adhesive is the first adhesive that will produce high-strength bonds between any combination of materials without high pressure, heat, solvent evaporation, or long curing time. Cost: \$75 per lb.

Pre-finished plastic paneling is moving into homebuilding markets almost as rapidly as aluminum (BW—Oct. 4 '58, p68). The newest is a translucent panel, of acrylic plastic, suitable for such outdoor uses as partitioning sun decks and patios. Naugatuck Chemical Div. of U. S. Rubber will market the new panels late this year, in 22 colors and in sizes up to 3 1/2 ft. by 8 1/2 ft. Prices will run from \$1-\$2 per sq. ft. for sheet panels and \$3-\$5 for sandwich panels.

Instant photo-printing has been extended to press and view cameras by a new Polaroid Land 4 x 5-in. film holder that uses Polaroid sheet film instead of the usual roll. One type of film permits the negative to be retained, after the 60-sec. print is made, for future dark-room use as with a conventional negative. Polaroid Corp. of Cambridge, Mass., sells the holder for \$49.95, 12-exposure film packets for \$6.22 up.

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Is Business Playing Too Cautiously?

It's clear that business economists—and the companies they serve—are taking a hopeful but extremely cautious line on the outlook for 1959. Last week, at the University of Michigan, 70 economists forecast, on the average, that gross national product would total \$459-billion next year (BW—Nov. 8 '58, p34). At the same time, the F. W. Dodge Corp. reports that 212 economists, polled in its annual economists' opinion survey, expect, on the average, to see GNP reach \$460-billion by the fourth quarter of 1959. Since, according to current estimates of government statisticians, GNP is already running at an annual rate of \$450-billion, both the Michigan and Dodge polls suggest that the "standard" forecast at this point is for GNP in 1959 to rise by only about 2½% from its current rate.

Whether this conservative forecast turns out to be right or wrong, there's much to be said in favor of the caution that business is showing as the economy moves out of the sharpest recession we have had during the postwar period. For the absence of euphoria and speculative frenzy makes it more probable that recovery can be achieved without immediately renewing heavy pressures on the price structure. In that case the monetary authorities will feel less need to adopt the highly restrictive policies that might bear down quickly and inequitably on particular sectors of the economy, such as housing or public construction, and which might indeed start an early swing to recession again. Balanced growth that fans out over the entire economy and continues for several years is obviously preferable to jerky and spasmodic growth.

Yet the present caution of business can't be attributed entirely to statesmanlike wisdom. We suspect, on the contrary, that it simply represents the customary lag of business expectations behind the course of events. Business was reluctant and slow to recognize the onset of the recession a year ago, and it has been similarly slow to recognize the strength of the recovery thus far. This slowness to recognize change stems, in large measure, from a visceral belief that tomorrow must closely resemble today.

The trouble is that initial slowness to react customarily gives way to a sudden double-take. The danger comes when, after this double-take, business drastically revises its too conservative earlier forecasts and plans, suddenly swings to the opposite extreme—and starts building inventories too fast, thereby creating the conditions for a future reversal.

No individual businessman can prevent this familiar sequence of over-caution and over-exuberance. But he can recognize its hazards and learn to allow for it in his own planning. By learning to see the symptoms in himself, each businessman can

avoid getting caught up in the wide swings of sentiment, and in doing so he can contribute to the stability of the whole economy.

Right of Access

The Justice Dept. last week laid down the guide lines for what appears to be a new code of conduct for businessmen dealing with the federal regulatory agencies. In a brief filed with the Federal Communications Commission, Atty. Gen. Rogers suggested that FCC and all similar agencies should automatically disqualify any applicant who tries to use undue influence to get a favorable decision.

After the unpleasant revelations of the past year, no one can doubt that the Administration needs to do something to put the activities of the regulatory agencies on a firmer moral footing. And in principle, no one can quarrel with Rogers' prescription.

But if the Rogers formula is adopted in practice, we want to be sure that two very important qualifications are attached to it.

First, it should be understood by the agencies and by businessmen alike that under the U. S. system of government, a man is entitled to make the best possible case for himself and that there is nothing shameful about using this right to the limit. A businessman is expected to fight for the best interests of his company; he is not supposed to act like Alphonse and Gaston. If he forgets this and gives up too easily, both his company and the economy as a whole will suffer.

Secondly, and even more important, applicants before the regulatory commissions must always have the right of access to the officials who are doing the regulating. Nothing could do more harm in the long run than to establish a set of lofty tribunals insulated from the real world and shielded from any contact with the men whose affairs they direct. A man with a problem must always be free to argue his case until he is sure it is understood—and, if he thinks it will help, to call on his congressmen for advice and guidance.

In the long run, the real answer to the problem of maintaining high moral standards will not be found in formal codes of conduct. It will be found in the quality of the men who are appointed to office in the regulatory commissions. If an officeholder is such a weak personality that he is going to be overawed by a call from a congressman or corrupted by a hint of future favors from an applicant, then he should be replaced in a hurry. If he is strong enough to deserve appointment in the first place, then he will be able to keep his door open to all comers without risking contamination.

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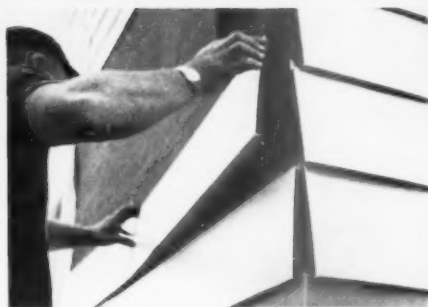
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